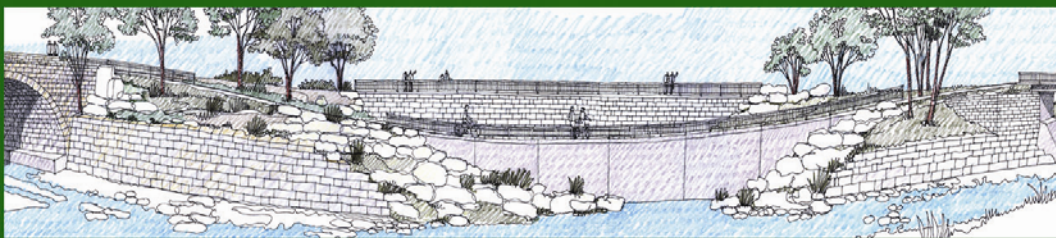


## WALLER CREEK TUNNEL PROJECT



## TAX INCREMENT FINANCING ZONE #17 BOARD

CITY OF AUSTIN  
RECOMMENDATION FOR BOARD ACTION

AGENDA DATE: February 17, 2011  
RBA TYPE: Resolution

PAGE: 1 of 2

**Subject:** Approve the adoption of Amendment No. 1 to the project and financing plan for Tax Increment Financing (TIF) Reinvestment Zone No. 17 (Waller Creek Tunnel Project) and submission of Amendment No. 1 to the Austin City Council with a recommendation for approval.

**AMOUNT & SOURCE OF FUNDING:** N/A

**FOR MORE INFORMATION CONTACT:** Leslie Browder, Chief Financial Officer, 974- 2283; Joe Pantalion, Watershed Protection Department, 974-3438

**PRIOR COUNCIL ACTION:** On June 21, 2007, the City Council approved an ordinance creating TIF Reinvestment Zone No. 17 to finance the construction of flood control improvements along lower Waller Creek. On March 20, 2008, the Board of Directors of the TIF Reinvestment Zone No. 17 approved adoption of the project and financing plan for the Waller Creek Tunnel Project and submission of the plan to the Austin City Council with a recommendation for approval. The City Council approved the project and financing plan on March 20, 2008.

**BOARD AND COMMISSION ACTION:** N/A

On June 21, 2007, the Austin City Council approved an ordinance creating TIF Reinvestment Zone No. 17 in accordance with state law to finance the construction of flood control improvements along lower Waller Creek. The TIF is located within the area bounded on the west by Red River Street from 12th Street south to 3rd Street, then west along 3rd Street to Trinity Street, then south along Trinity Street to Lady Bird Lake; on the south by Lady Bird Lake from Trinity Street east to Cummings Street, then east along Cummings Street to East Avenue; on the east by East Avenue from Cummings Street north to the south bound access road of IH-35, then along said access road north to 11th Street, then west along 11th Street to Sabine Street, and north along Sabine Street to Red River Street; and on the north by 12th Street between Sabine Street and Red River Street.

The purpose of the Waller Creek Tunnel Project is to provide 100-year storm event flood protection with no out-of-bank or roadway flooding for the lower Waller Creek watershed. The project will provide flood protection to existing buildings, prevent the flooding of roadway crossings, and reduce the width of the floodplain in the Reinvestment Zone area, essentially containing it within the creekbed. This reduction in

floodplain area resulting from the project will significantly increase the amount of developable land area in the lower Waller Creek watershed.

In a TIF, one or more political subdivisions contribute up to 100% of the property tax on the increase in value of real property in the reinvestment zone (tax increment) for TIF purposes. Under the terms of TIF Reinvestment Zone No. 17 and an Agreement to Participate in Tax Increment Reinvestment Zone No. 17, executed between the City of Austin and Travis County in March 2008, the City of Austin contributes 100% of its tax increment, and Travis County contributes 50% of its tax increment. The project will be funded by the issuance of debt that will be repaid primarily from the tax increment revenues collected during the 20-year duration of TIF Reinvestment Zone No. 17. At the end of the 20-year TIF, the City will pay all remaining debt and operations and maintenance expenditures.

In accordance with state law, the Board of Directors of the Waller Creek TIF Reinvestment Zone No. 17 at any time may adopt an amendment to the project plan consistent with the requirements and limitations of applicable State law. The amendment takes effect on approval by the City of Austin, as the municipality that created the zone, and by the Travis County Commissioners Court, under the terms of the Agreement to Participate in TIF Reinvestment Zone No. 17. If an amendment increases the total estimated project costs, the approval must be by ordinance, adopted after a public hearing that satisfies the procedural requirements outlined in State law. The City has completed the necessary procedural requirements, including presentations to local taxing jurisdictions regarding Amendment No. 1, and plans to hold a public hearing on February 17, 2011. Notice of the public hearing was published in the Austin American Statesman on January 29, 2011. The public hearing will be conducted prior to consideration of an amendment to the project plan adopted by the Council in 2008. Among the items to be updated with the TIF amendment are (1) current project design (identifying changes from the preliminary plans during the final design process), (2) Waller Creek Master Plan recommendations (and other proposed changes to the City's Comprehensive Plan, zoning ordinances and building codes), (3) updated project cost estimates, and (4) the most recent estimates of underlying funding sources that are anticipated to pay for the construction, operation and maintenance of the tunnel.

As part of the requirements of Chapter 311 of the Local Government Code, the TIF Board must consider and approve a project and financing plan and any subsequent revisions. Amendment No. 1 to the project and financing plan is attached to this Recommendation for Board Action, and as an exhibit to Amendment No. 1 to the Agreement to Participate in Tax Increment Reinvestment Zone No. 17 between the City of Austin and Travis County.

**City of Austin  
Tax Increment Financing Reinvestment Zone No. 17  
(Waller Creek Tunnel Project)**

**Final Project Plan  
and  
Reinvestment Zone Financing Plan  
March 2008**

**Amendment No. 1 to Final Project Plan  
and  
Reinvestment Zone Financing Plan  
February 2011**

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## **Exhibits**

### Related to March 2008 Project Plan and Reinvestment Zone Financing Plan

Exhibit 1	Map – Existing Floodplain
Exhibit 2	Map – Proposed Floodplain
Exhibit 3	Map – TIF Boundaries
Exhibit 4	Map – Tunnel Alignment
Exhibit 5	Resolution of the Waller Creek Citizen Advisory Committee
Exhibit 6	Rendering – Tunnel Inlet
Exhibit 7	Rendering – Tunnel Outlet
Exhibit 8	Waller Creek TIF Buildout and Tax Revenue Schedule
Exhibit 9	Waller Creek TIF Buildout Assumptions

## **Updated Exhibits**

### Related to Amendment No. 1 to Project Plan & Reinvestment Zone Financing Plan

Exhibit 10	Map – Updated Tunnel Alignment
Exhibit 11	Rendering – Updated Tunnel Inlet
Exhibit 12	Rendering – Updated Tunnel Outlet
Exhibit 13	Updated Market Demand and Absorption Projections
Exhibit 14	Updated TIF Value Increment and Tax Revenue Schedule

## **Executive Summary**

On June 21, 2007, the Austin City Council approved an ordinance creating Tax Increment Financing (TIF) Reinvestment Zone No. 17 to finance the construction of flood control improvements along lower Waller Creek. The TIF is located within the area bounded on the west by Red River Street from 12th Street south to 3rd Street, then west along 3rd Street to Trinity Street, then south along Trinity Street to Lady Bird Lake; on the south by Lady Bird Lake from Trinity Street east to Cummings Street, then east along Cummings Street to East Avenue; on the east by East Avenue from Cummings Street north to the south bound access road of IH-35, then along said access road north to 11th Street, then west along 11th Street to Sabine Street, and north along Sabine Street to Red River Street; and on the north by 12th Street between Sabine Street and Red River Street.

The purpose of the Waller Creek Tunnel project, which is to be financed through TIF Reinvestment Zone No. 17, is to provide 100-year storm event flood protection with no out-of-bank or roadway flooding for the lower Waller Creek watershed. The project will provide flood protection to existing buildings, prevent the flooding of roadway crossings, and reduce the width of the floodplain in the Reinvestment Zone area, essentially containing it within the creekbed. This reduction in floodplain area resulting from the project will significantly increase the amount of developable land area in the lower Waller Creek watershed.

In accordance with State law, this Project Plan and TIF Reinvestment Zone No. 17 Financing Plan have been created to describe the Waller Creek Tunnel project and associated financing using dedicated TIF revenue from the City of Austin and Travis County.

The proposed tunnel will be approximately 22 feet in diameter and approximately 5,400 feet in length. The total estimated cost of the project is \$127,547,000 (in June 2006 dollars). The tunnel will originate in Waterloo Park near East 12<sup>th</sup> Street with discharge to Lady Bird Lake. The tunnel alignment is generally beneath Sabine Street. Significant inlet and outlet structures are required and because the structures are in parkland, aesthetics of the structures are a major consideration. The inlet structure will include a pond, an inlet structure, small dam, access bridge, pump building and significant landscaping enhancements. The inlet also includes mechanical screens to ensure operational reliability and a system to pump small quantities of water from the tunnel to the creek. This pumped water will augment the base flow in the creek and by so doing enhance its aesthetic appeal and water quality. The outlet structure includes a pond, an outlet shaft, and a de-watering pump system. On April 12, 2007, the Austin City Council created the Waller Creek Citizen Advisory Committee. The City Council believes it is very important for the community to participate and provide oversight in the construction and development of the Waller Creek Tunnel Project. The process for finalizing park facilities to be located at the tunnel inlet and outlet will include consideration of recommendations made by the Committee. The Committee includes a citizen appointed

by Travis County.

The Waller Creek tunnel project will spur economic development throughout downtown, in particular in the Reinvestment Zone area where development has lagged the rest of the city. The project will enhance the parkland and trail along the creek by providing amenities in Waterloo Park and on Lady Bird Lake and by preventing flooding and reducing streambank erosion. Further, the project's water re-circulation efforts will supplement stream base flow and enhance the quality of water flowing into Lady Bird Lake. The project is also expected to allow improved connectivity between east and west Austin, and with its parkland enhancement and anticipated economic development stimulus, promote tourism by convention and other visitors.

To finance this project, the City of Austin formed TIF Reinvestment Zone No. 17 (see Exhibit 3 for TIF boundaries) in accordance with State law. In a TIF, one or more political subdivisions contribute up to 100% of the property tax on the increase in value of real property in the district (tax increment) for TIF purposes. Under the terms of TIF Reinvestment Zone No. 17 and an Agreement to Participate in Tax Increment Reinvestment Zone No. 17, between the City of Austin and Travis County, negotiated with Travis County, the City of Austin will contribute 100% of its tax increment, and Travis County will contribute 50% of its tax increment. The project will be funded by the issuance of debt that will be repaid primarily from the tax increment revenues collected during the 20-year duration of TIF Reinvestment Zone No. 17. At the end of the 20-year TIF, the City will pay all remaining debt and operations and maintenance expenditures.

# **Project Plan**

## **Introduction**

This document is the Project Plan for TIF Reinvestment Zone No. 17 for the Lower Waller Creek Flood Control Improvements, in the City of Austin, Texas, as required by Chapter 311 of the Texas Tax Code. The purpose of TIF Reinvestment Zone No. 17 is to finance reimbursements of costs associated with flood control improvements in the Waller Creek watershed of the City of Austin, Texas.

The City of Austin will be solely responsible for managing the design and construction of the Waller Creek tunnel project, for operating and maintaining the tunnel after its completion, and for administering the TIF zone, which is located on the eastern edge of the downtown area of Austin, Texas. In the event that actual costs exceed estimated project costs outlined in the project and financing plan, the City of Austin will be responsible for funding those additional costs to the extent that project or operating costs exceed the available TIF revenues to be contributed by the City and Travis County, as described more fully in the financing plan that follows. Upon completion, a significant amount of land will no longer be within the flood plain, and will then be suitable for development. It is estimated that the investment in private development will benefit both the City and the County financially, and will also benefit City and County citizens through the creation of jobs and recreational amenities.

The flood control improvements will be public infrastructure. The proposed tunnel will be approximately 22 feet in diameter and approximately 5,400 feet in length. The tunnel will originate in Waterloo Park near East 12<sup>th</sup> Street with discharge to Lady Bird Lake. The tunnel alignment will be generally beneath Sabine Street. Significant inlet and outlet structures are required and because the structures are in parkland, aesthetics of the structures are a major consideration. Preliminary design features include a pond, a inlet structure, small dam, access bridge, pump building and significant landscaping enhancements. The inlet also includes mechanical screens to ensure operational reliability and a system to pump small quantities of water from the tunnel to the creek. This pumped water will augment the base flow in the creek and by so doing enhance its aesthetic appeal and water quality. Two to four storm water inlets along Waller Creek downstream of the tunnel inlet and possibly a parallel smaller diameter tunnel originating near East 3<sup>rd</sup> Street and terminating at the tunnel outlet will provide for the diversion of storm water entering the lower Waller Creek channel.. The outlet structure includes a pond, an outlet shaft, and a de-watering pump system. On April 12, 2007, the Austin City Council created the Waller Creek Citizen Advisory Committee. The City Council believes it is very important for the community to participate and provide oversight in the construction and development of the Waller Creek Tunnel Project. The process for finalizing park facilities to be located at the tunnel inlet and outlet will include consideration of recommendations made by the Committee. Exhibit 5 is a resolution by the Committee outlining design recommendations.



On August 30, 2007, the City Council approved an amendment to the professional services agreement with the joint venture of Brown & Root, Inc/Espey Padden for design/bid (Phase 2) and construction management and warranty assistance (Phase 3) engineering services. These costs will be primarily funded with unencumbered 1998 venue project bond proceeds, and related bond interest earnings. Additional expenditures associated with the design and construction of the project and other project-related costs, including easements and right of way, will be funded by tax increment revenues derived from increases in property values resulting from the new development. Monetary obligations are to begin in the spring or early summer of 2010, beginning with the acquisition of easements and right of way required to begin construction of the tunnel. Construction is currently estimated to start in June 2010.

## **I. Maps Showing Existing Floodplain and Map Showing Post-Project Floodplain**

TIF Reinvestment Zone No. 17 includes approximately 126 acres. The boundaries of the zone are within the area bounded on the west by Red River Street from 12th Street south to 3rd Street, then west along 3rd Street to Trinity Street, then south along Trinity Street to Lady Bird Lake; on the south by Lady Bird Lake from Trinity Street east to Cummings Street, then east along Cummings Street to East Avenue; on the east by East Avenue from Cummings Street north to the south bound access road of IH-35, then along said access road north to 11th Street, then west along 11th Street to Sabine Street, and north along Sabine Street to Red River Street; and on the north by 12th Street between Sabine Street and Red River Street. Existing land use includes commercial, residential and public use, including park land. The extent of the floodplain within the TIF Reinvestment Zone No. 17 currently precludes many development options.

Exhibits 1 and 2 show the existing floodplain and post-project floodplains superimposed on an aerial showing land uses in the zone. Exhibit 3 shows the zone boundary. Renderings of the Waller Creek Tunnel inlet and outlet are shown in Exhibits 7 and 8.

## **II. Proposed Changes of Zoning Ordinances, the Master Plan of the Municipality, Building Codes, and Other Municipal Ordinances**

All project construction is anticipated to adhere to existing design and building criteria and regulations. Currently, there are no proposed changes to City ordinances, master plans or building codes. In the future, regulatory changes may be recommended as part of the Downtown Austin Master Plan (Downtown Plan), which is currently being formulated with stakeholder input, and is summarized below.

### Downtown Plan

As a city, Austin is seen as one of the best in the country, with a long and growing list of “Bests,” including:

- 1st place - "Best Large City for Relocating Families" (The Worldwide Employee Relocation Council (ERC), Primacy Relocation and Sperling's BestPlaces, June 2004)
- 1st place (for the second consecutive year) – "Top 10 Cities for Hispanics to Live In" (Hispanic magazine, August 2005)
- 2nd place - Top Creative Class Cities (The Rise of the Creative Class, Richard Florida, 2002)
- 2nd place - "Ten Greenest Cities" list. (Vegetarian Times' July/August 2005)
- 3rd place - "Best Places" for business and careers (Forbes, May 2005)
- 6th place - Nation's top tech hubs (Silicon Valley study, September 2005)
- 11th place - "The 25 Best Running Cities in America" and (Runner's World July 2005)
- One of the top 10 cities to be a dog. (DogFancy November 2005)

At the heart of all these accolades are Austin's citizens, their love for the City, and in a very tangible sense, downtown. Downtown Austin is the City's central business district, the entertainment hub, the primary tourist destination, and home to City, County and State governmental activities.

Downtown Austin, however, is in a period of transition. On the one hand, downtown is experiencing tremendous growth in the housing sector based on strong demand. On the other hand, downtown is struggling to maintain or recapture its retail and office market share as office buildings and shopping centers are being built further and further away from downtown to accommodate a growing suburban population. If left unchecked, this development pattern will lead to the advancement of one sector to the possible exclusion and detriment of others.

On December 15, 2005, the Austin City Council adopted a resolution initiating a planning process for downtown Austin, including the Waller Creek TIF area. The Council action required the selection of a nationally-recognized consultant with downtown expertise to develop the Downtown Plan by working with stakeholders, including but not limited to state, federal and local governments, the Capital Metropolitan Transportation Authority, downtown neighborhood associations and downtown business groups, affordable housing advocates, parks groups and environmental organizations. The consultant's scope of work was to include the following:

1. Implement ordinance modernizations, including but not limited to Floor to Area standards and procedures for modifying where appropriate; height standards and procedures for modifying where appropriate, and; funding ordinances for infrastructure.
2. Identify right-of-way for passenger rail and dedicated bus thoroughfares.
3. Develop a program and procedure for the sale and development of government-owned land.

4. Identify east-west and north-south rail lines and dedicate station locations downtown.
5. Integrate the Downtown Neighborhood Plan and the Transit Oriented Development Ordinance Convention Center Station Area Planning effort into the Downtown Plan and Ordinance.
6. Identify strategies and best practices for affordable work force housing in the downtown area.

In April 2007, the City contracted with the ROMA Design Group to assist with the development of the Downtown Plan. The contract for the Downtown Plan envisions that the plan will unfold in phases.

Phase One -- Analyze baseline information, interview key stakeholders, assess opportunities and challenges, and craft a strategic framework with clearly prioritized actions aimed at implementing the downtown vision. The phase one work will require six months to complete.

Phase Two – Implementation of the identified high-priority items.

Proposed regulatory changes considered in the Downtown Plan will be evaluated for any potential impacts on the construction of the proposed TIF improvements and future redevelopment and assessed valuation within the TIF area. The City of Austin expects that any regulatory changes that may be recommended will enhance redevelopment opportunities and density (and thus, valuation) beyond the baseline assumptions included in the feasibility section of this report.

#### Waller Creek Master Plan

The City is in the process of selecting a consultant to create a Waller Creek Master Plan, which will emphasize planning beyond the completion of the tunnel project. A request for qualifications was issued in November 2007 and a notice to proceed is expected to be issued in May 2008 after the consultant has been selected. The plan is expected to take approximately 24 months to complete and will include an assessment of baseline conditions within the district, community visioning, and a final report that will include an implementation plan and cost estimates.

### **III. List of Estimated Non-Project Costs**

The project is necessary to revise the floodplain in the zone. Anticipated redevelopment within the zone will be accomplished by private developers after the construction of the project. Non-project costs are those development items that will be funded by others and are necessary for the implementation of the project. No tax increment reimbursement is provided for non-project costs. No non-project improvements or costs are proposed.

**IV. Statement of Method of Relocating Persons to be Displaced as a Result of Implementing the Project**

No persons will be displaced as a result of the construction of the project.

## Reinvestment Zone Financing Plan

As outlined previously, under the terms of TIF Reinvestment Zone No. 17 and the Agreement to Participate in Tax Increment Reinvestment Zone No. 17, between the City of Austin and Travis County, the City of Austin will contribute 100% of its tax increment, and Travis County will contribute 50% of its tax increment. The project will be funded by the issuance of debt that will be repaid primarily from the revenues of the 20-year TIF Reinvestment Zone No. 17. At the end of the 20-year TIF, the City will pay all remaining debt and operations and maintenance expenditures.

### I. List of the Estimated Project Costs of the Zone Including Administrative and Recurring Expenses

The following list itemizes the estimated infrastructure project costs for TIF Reinvestment Zone No. 17. The zone is expected to incur bond financing costs but these costs have not been included in the list below. Line item amounts may be adjusted with approval of the TIF Reinvestment Zone No. 17 Board of Directors. Additional construction cost estimate information is available in *Waller Creek Tunnel Construction and O&M Cost Estimates Update, Brown & Root/Espey Padden Joint Venture, October 6, 2006*.

<u>Project Capital Item</u>	<u>Estimated Cost</u>
<b>Construction Costs</b>	
Inlet, with Mechanical Screens	\$21,605,000
Tunnel on Sabine Street alignment	27,566,000
Outlet	13,300,000
<u>Intervening Storm Sewer Connections</u>	<u>32,260,000</u>
Total Construction Cost:	\$94,731,000
<b>Right-of-Way</b>	
Tunnel	\$702,000
<u>Intervening storm sewer connections</u>	<u>730,000</u>
Total Right-of-Way Cost:	\$1,432,000
<b>Other Project Costs</b>	
Engineering, Testing & Construction Management	\$27,610,000
Administrative	
Zone Creation	150,000
City Real Estate Acquisition Services	200,000
<u>City Project Management (2.0%)</u>	<u>1,900,000</u>
Total Administrative:	\$2,250,000

Project Contingencies	
Construction (5 to 15% included above)	\$ 0
Right-of -Way (10%)	143,000
<u>Engineering (5%)</u>	<u>1,381,000</u>
Total Contingency (excluding construction)	\$1,524,000

**Total Project Capital Cost** **\$127,547,000**

**Project Annual Costs**

Operation and Maintenance (in 2006 dollars)	\$2,632,000
<u>Zone Administration</u>	<u>30,000</u>

**Total Annual Cost** **\$2,662,000**

**II. Statement Listing the Kind, Number and Location of All Proposed Public Works or Public Improvements in the Zone**

The Waller Creek bypass tunnel is located throughout the Zone as shown in Exhibit 4.

**III. Economic Feasibility Studies**

The Brown & Root/Espey Padden Joint Venture prepared economic models of development resulting from the project and increases in tax revenues resulting from the development. The project was found to be economically viable. Economic studies of the project were also prepared by Spillette Consulting and Charles Heimsmath and also demonstrated the economic viability of the project. These economic studies are on file with the Board of TIF Reinvestment Zone No. 17 and the City Council of the City, and are incorporated by reference into this project plan. The Waller Creek TIF estimated buildout and tax revenues are attached as Exhibit 8. Buildout assumptions are attached as Exhibit 9.

**IV. The Estimated Amount of Bonded Indebtedness to be Incurred**

The estimated amount of bonded indebtedness to be incurred by the TIF Reinvestment Zone No. 17 is shown below:

Estimated capital cost of project (in millions):	\$127.55
Cash on hand:	<u>(27.30)</u>
Balance to be financed:	\$100.25
Inflated balance	\$109.48

**V. The Time When Monetary Obligations are to be Incurred**

Monetary obligations are to begin in the spring or early summer of 2010, beginning with the acquisition of easements and right of way required to begin construction of the tunnel. Construction is currently estimated to start in June 2010. Project design was initiated in

August 2007 and will be paid for with the City's cash-on-hand provided by the 1999 bond proceeds plus related interest earnings.

The City and County tax increments, as set out in the Agreement with Travis County, are expected to provide sufficient funds to pay the costs of the project; however, there are timing issues associated with the cash flows during the 20-year life of the TIF. Collection of TIF revenue is expected to begin in fiscal year 2009 and end in fiscal year 2028. To smooth out the cash flows during the life of the TIF, an additional source of funding for the project is available from within the Convention Center/Waller Creek venue to supplement the available TIF revenue when needed to help cover project costs or debt service. The refunding of the Hilton Hotel bonds that occurred in December 2006 provides for the payment of net revenue from the hotel to the Austin Convention Enterprises Corporation (ACE) and ultimately to the City. These net revenues are not hotel tax revenues, but represent revenues from the hotel project. The use of these revenues strengthens the final financing plan. Using this additional funding will provide additional security for the bond holders when debt is issued to finance the project, thus helping to lower the interest rate. Use of these revenues will also solve cash flow issues in the early years of the TIF before the tax increment has significantly grown, and will provide a reserve for unanticipated problems that might be encountered during the long design and construction phases. As outlined in the project plan, should actual costs exceed estimated project costs, then the City of Austin will be responsible for funding those additional costs if project or operating costs exceed the available TIF revenues to be contributed by the City and Travis County.

## **VII. Description of the Method of Financing All Estimated Project Costs and the Expected Sources of Revenue to Finance or Pay Project Costs Including the Percentage of Tax Increment to be Derived from the Property Taxes of Each Taxing Unit that Levies Taxes on Real Property in the Zone**

### **Description of the Methods of Financing**

The City of Austin is allowed, under the provisions of Section 311.015 of the Tax Increment Financing Act, to issue tax increment bonds or notes, the proceeds of which may be used to provide for project-related costs. The City possesses the authority under Texas law to issue certificates of obligation to finance projects such as those described in this project plan. The City will issue debt under its own authority to finance design and construction of the tunnel project. The City of Austin will be responsible for managing the financing process for the tunnel project and intends to issue future certificates of obligation to fund construction and other related project costs as needed. When the City issues certificates of obligation to fund project costs described in this project plan, revenues deposited to the credit of the tax increment fund for TIF Reinvestment Zone No. 17 will be made available to the City for the purpose of paying the debt service on the certificates of obligation. By issuing certificates of obligation, the City assumes the risk if future development is not sufficient to pay for all costs related to the construction of the tunnel. Travis County will be responsible only for contributing 50% of its tax increment to be derived from the TIF Reinvestment Zone No. 17. The terms and conditions

outlined in the Agreement between the City of Austin and Travis County and in this financing plan will be incorporated into any bond covenants associated with the issuance of debt related to this project.

### **Sources of Tax Increment Revenue**

The tax increment revenue necessary to pay the project costs is expected to come from increased property values in the zone due to construction of new commercial and residential buildings. Estimated buildout and tax revenues are shown in Exhibit 8. Buildout assumptions are shown in Exhibit 9.

The financing plan is based on the City of Austin contributing 100% of their collected incremental tax revenue to the zone and Travis County contributing 50% of their collected incremental tax revenue to the zone. Tax rates that were in effect when the TIF Reinvestment Zone No. 17 was established in June 2007 are shown below.

<b><u>Taxing Unit</u></b>	<b><u>Total Tax Rate</u></b>	<b><u>Tax Rate Dedicated</u></b>	<b><u>% Dedicated</u></b>
City of Austin	\$0.4126/\$100	\$0.4126/\$100	100%
Travis County	\$0.4499/\$100	\$0.22495/\$100	50%

### **VIII. The Current Total Appraised Value of Taxable Real Property in the Zone**

The total appraised value within the TIF Reinvestment Zone No. 17 based on values for the 2006 tax year when the TIF was established in June 2007 was \$173.6 million. Recent values from the Travis County Appraisal District for the 2007 tax year are approximately \$236.2 million associated with taxable properties in the City of Austin and \$228.1 million in Travis County. Exhibit 8, which depicts estimated tax revenue over the 20-year TIF period, has been updated to reflect the updated 2007 tax values. These updated tax values have also been incorporated in the Agreement to Participate in Tax Increment Reinvestment Zone No. 17, between the City of Austin and Travis County.

### **IX. The Estimated Captured Value of the Zone During Each Year of its Existence**

The estimated captured appraised value of the TIF Reinvestment Zone No. 17 during each year of its existence is shown in Exhibit 8. The estimated appraised value for tax year 2007 has increased compared to the value originally projected. The assumptions in the Brown & Root/Espey Padden Joint Venture economic model related to cumulative assessed value increment within the zone over the estimated life of the TIF are considered reasonable and materially accurate for purposes of projecting future tax increment revenues. Estimated buildout and tax revenues are shown in Exhibit 8. Buildout assumptions are shown in Exhibit 9.



## **X. Duration of the Zone**

The duration of the TIF Reinvestment Zone No. 17 is 20 years. The Austin City Council has established January 1, 2008 as the first year of the TIF Reinvestment Zone No. 17, with the TIF base valuation dated January 1, 2007. January 1, 2008 will be the first date for which the TIF captured appraised value will be recorded. Fiscal year 2009 will be the first year in which both the City and Travis County pay their associated tax increment into the TIF fund that will be established pursuant to the Agreement. The TIF Reinvestment Zone No. 17 will terminate on September 30, 2028, or the date on which the project has been fully implemented and all Project Costs of the TIF District, including any debt or interest on that debt, issued by the City in accordance with the financing plan have been paid or otherwise satisfied in full. The Parties may agree to terminate the TIF agreement prior to the termination date only by written agreement signed by both parties, which agreement shall include the actual termination date, and the disposition of funds that have not been disbursed.

## **Amendment No.1 to the Final Project Plan and the Reinvestment Zone Financing Plan**

The purpose of Amendment No. 1 to the Final Project Plan and the Reinvestment Zone Financing Plan adopted in 2008 is to reflect:

- current project designs (identifying changes from the preliminary plans during the final design process),
- Waller Creek Master Plan recommendations (and other proposed changes to the City's Comprehensive Plan, zoning ordinances and building codes),
- updated cost estimates, and
- the most recent estimates of underlying funding sources that are anticipated to pay for the construction, operation and maintenance of the tunnel.

In accordance with State law, the Board of Directors of the Waller Creek TIF Reinvestment Zone No. 17 at any time may adopt an amendment to the project plan consistent with the requirements and limitations of applicable State law. The amendment takes effect on approval by the City of Austin, as the municipality that created the zone, and by the Travis County Commissioners Court, under the terms of the Agreement to Participate in Tax Increment Reinvestment Zone No. 17 (the Agreement), between the City of Austin and Travis County, which was executed by both parties in March 2008. If an amendment increases the total estimated project costs, the approval must be by ordinance or order, as applicable, adopted after a public hearing that satisfies the procedural requirements outlined in State law. The City has completed the necessary procedural requirements, including presentations to local taxing jurisdictions regarding Amendment No. 1, and a public hearing. Presentations were made to the Travis County Commissioners Court on February 1, 2011, and to the Austin Independent School District on February 14, 2011. Notice of the public hearing was published in the Austin American Statesman on January 29, 2011, and the public hearing was scheduled and held in City Council chambers on February 17, 2011.

### **Updated Project Plan**

The Project Plan amendments include updates to the project design and to planning documents for the district. Much of the anticipated project design features included in the preliminary and final project and financing plan were based on the *Waller Creek Tunnel Project Conceptual and Preliminary Engineering Report, Brown & Root/Espey Padden Joint Venture, April 25, 2001*. Final project data collection and design was initiated in August 2007 and this plan has been updated to reflect the current status of the design process. The approved plan also contemplated a master planning process for the Waller Creek District, which has now been completed.

### **Tunnel Project**

The Waller Creek Tunnel Project will support transformation of the Waller Creek District into a safer, more vibrant area. Currently, much of the District lies within a 100-year floodplain and is subject to severe flooding, erosion, and litter. The tunnel will reduce the risk of severe flooding and stream bank erosion along lower Waller Creek by capturing and diverting flood waters from the upper creek basin (above 12th Street) into a large tunnel located approximately 60 to 70 feet underground. The proposed tunnel will vary in diameter from roughly 20 to 26 feet and will be approximately 5,600 feet in length. The tunnel alignment will be generally beneath Sabine Street (Exhibit 10). The tunnel will begin in Waterloo Park where an inlet facility and pond will accept flood waters and screen out trash and debris. Creek side inlets between 4th and 5th Streets and between 8th and 9th Streets are proposed to capture additional flood waters below 12th Street. The tunnel will discharge to an outlet lagoon on the shores of Lady Bird Lake.

Acknowledging that significant inlet and outlet facilities are to be constructed in parkland, aesthetics of the structures are a major consideration. The process for finalizing design features at the tunnel inlet and outlet have included consideration of recommendations made by the Waller Creek Citizen Advisory Committee (WCCAC). On April 12, 2007, the Austin City Council created the WCCAC as a means to ensure public participation and review of the proposed tunnel improvements. The WCCAC has held monthly public meetings since their formation and hosted open houses for members of the community to provide their input on the project.

The current design layouts for the inlet and outlet facilities are shown in Exhibits 11 and 12 respectively. Among the more notable changes from the preliminary plans, the inlet facility has been moved south nearer to 12<sup>th</sup> Street to be less intrusive to the park. The inlet structure and pump house building have now been combined to reduce the overall facility footprint as well. A service drive into the park for debris removal hauling is shortened as trucks enter the facility via the parking area fronting 12<sup>th</sup> Street. Other modifications may be made as the inlet facility design is completed in early 2011. Plans have also not been finalized for the grading and restoration of the park - including trail and landscaping locations. The majority of the restoration work is expected to occur in 2014 upon completion of the major tunnel components.

At the outlet facility, the modified design retains much of the natural character of the Lady Bird Lake. The previously proposed amphitheater, floating stage and large structural bridge along the shoreline have been replaced by a more natural lagoon setting. Structural concrete once planned to be exposed along the water surface and bridge has been either replaced or masked by natural materials such as limestone and native landscaping. The boathouse site, once located near the water's edge, has been moved farther from Lady Bird Lake to comply with waterfront overlay restrictions. Other minor plan changes may occur as the outlet design is finalized in 2011, but such changes, should they occur, are not anticipated to affect the project costs as set forth in Amendment No. 1.

### **Planning Initiatives**

In February 2009, the City engaged ROMA Design Group and its subconsultant team to work with the City in the creation of the *Waller Creek District Master Plan (ROMA Design Group, June 2010)*. The master plan lays out a vision for the future of the Waller Creek District and identifies actions necessary to make that vision a reality. In addition to three Town Hall meetings, City staff and ROMA conducted numerous stakeholder focus groups, interviews, and technical coordination meetings in order to refine the vision and clarify goals. Prior to City Council adoption of the plan on June 24, 2010, the Master Plan was presented to several City Boards and Commissions as well as the Travis County Commissioners Court.

A number of key principles were formulated to guide the planning and design of the creek corridor and district. They include:

1. Enhance the ecological, hydrological and open space value of the creek corridor;
2. Create an interwoven web of appropriately scaled pedestrian and bicycle linkages to, across and along the creek corridor that connect Lady Bird Lake with UT, and East Austin and Rainey Street with Downtown, and;
3. Promote development activity and investment along the creek and throughout the district.

The Master Plan included recommendations for capital improvements (primarily trail, street and creek improvements) and suggested development standards for the district. As part of the development standards, a handful of zoning change recommendations were also included in the plan. The plan is available for review and can be accessed at the following website: [http://www.ci.austin.tx.us/wallercreek/mp\\_docs.htm](http://www.ci.austin.tx.us/wallercreek/mp_docs.htm)

The City has also embarked on a comprehensive planning process, *Imagine Austin*, which will provide broad-level guidance on how Austin will grow and develop into the future. According to the City Charter, the Comprehensive Plan contains "the Council's policies for growth, development and beautification of the land within the corporate limits and the extraterritorial jurisdiction of the city." This process will focus on three key themes: Community Engagement, Sustainability and Implementation.

The planning process is expected to extend until the end of 2011 with the final product serving as:

- A guide for the management of change
- A reflection of community values and aspirations
- The foundation for policies, strategies, and actions
- The community's to-do list
- A catalyst for community consensus

The City periodically updates its building codes as national and international standards are updated for the building industry. Since the adoption of the previous project plan, the following building standard updates have been adopted:

- 2009 International Building Code (previous standard, 2003 IBC)
- 2009 International Energy Conservation Code (from 2006 IECC)
- 2008 National Electric Code (from 2005 NEC)
- 2009 International Fire Code (from 2003 IFC)
- 2009 International Property Maintenance Code (from 1994 Uniform Housing Code and the 1994 Uniform Code for the Abatement of Dangerous Buildings)
- 2009 Uniform Mechanical Code (from 2003 UMC)
- 2009 Uniform Plumbing Code (from 2003 UPC)

## **Updated Reinvestment Zone Financing Plan**

The project cost estimates included in the preliminary (2007) and final (2008) project and financing plans were based on the *Waller Creek Tunnel Construction and O&M Cost Estimates Update, Brown & Root/Espey Padden Joint Venture, October 6, 2006*. The approved financing plan accounts for anticipated inflation of the preliminary cost estimate developed in 2006. Project design was initiated in August 2007 and this plan is amended to reflect the latest estimates of project costs (in 2010 dollars) based on the current status of the design process and to better reflect future construction pricing when elements of the tunnel are actually awarded.

### **Project Costs**

As shown below, total project costs include construction, right-of-way acquisition, engineering, administrative and contingency costs. With the majority of the project design completed, the current year project cost (in 2010 dollars) is estimated at \$140.3 million. This amount includes approximately \$2.5 million for right-of-way acquisition that is expected to be recouped after project construction. At the main tunnel entrance, the City initially pursued the acquisition of a four-year construction easement for the entire site and permanent easements for the creek and tunnel shaft location. However, some property owners chose to sell their property to the City in fee simple. The City plans to resell this property at the end of the construction period, with the goal of recovering the original acquisition cost.

The resulting net 2010 project cost is \$137.8 million (compared to the previous total cost projection of \$136.8 million). Because the tunnel project will be constructed over a four-year period, the 2010 construction cost estimate has been further inflated to account for staggered construction starts and additional contingency. For the purposes of this plan amendment, the total gross project cost is estimated at \$146.5 million.

Recently, the main tunnel was bid along with the 4<sup>th</sup> Street creek inlet. This portion of the project was bid ahead of the other major projects (main inlet, outlet and 8<sup>th</sup> Street creek inlet) due to the project size and duration. The underground tunnel segment is the largest component of the project and will take over three years to construct. The portion of the project budget allotted for the Main Tunnel/4<sup>th</sup> Street Inlet is \$45.6 million. The actual low bid for the project was \$48.7 million. Project oversight will incorporate various cost management strategies, as underlying funding sources are updated, to help complete the project as outlined in this amendment. Potential cost management strategies are discussed in more detail in the following section.

### **Cost Management Strategy**

In light of the higher than expected tunnel bids and uncertainty related to future bid results, additional cost controls and scope reductions may be necessary to manage total project costs. For example, cost control strategies may include revised debris handling systems, backup power provision, and other design changes. Should these measures alone not achieve desired cost reduction goals, consideration may be given to postponing the construction of one or both of the creek inlets or reassessing the need for the creek inlets after the upcoming design of the trail and stream improvements. Deleting creek inlets may impact the ability to limit the rise of floodwaters in the creek to no more than 4 or 5 feet during a 100-year storm as anticipated in the current design. It should also be noted that preliminary engineering on the lower Waller Creek stream restoration and trail project is expected to begin in 2011 with initial results available in 2012. This work will better characterize the benefits of the creek inlets in relation to the restored creek channel and proposed trail location. Any decisions regarding the creek inlets can be made as late as early 2013, when award of the 8<sup>th</sup> Street creek inlet contract is planned. Below is a list of anticipated milestones for the project (subject to change):

#### **Key Waller Creek Project Milestones**

February 2011	Award Main Tunnel/4 <sup>th</sup> Street Creek Inlet
August 2011	Award Inlet at Waterloo Park
February 2012	Award Outlet at Waller Beach
2011 to 2012	Preliminary Engineering for Lower Waller Creek Restoration and Trail Project
Early 2013	Award of the 8 <sup>th</sup> Street Creek Side Inlet

## Updated List of the Estimated Project Costs of the Zone, Including Administrative and Recurring Expenses

As indicated previously, the tunnel project will be constructed over a four-year period. The table below depicts the estimated project costs developed by the design team, and are stated in 2010 dollars in the column labeled “Current Estimate”. These 2010 construction cost estimates have been further inflated to account for staggered construction starts and additional contingency in the column labeled “Construction Bid Cost Estimates”. The cost estimates developed in 2006 totaled \$136.8 million, including estimated inflation at that time.

<b><u>Capital Cost Item</u></b> <b>(in thousands of dollars)</b>	<b><u>Current Estimate</u></b> <b>(in 2010 dollars)</b>	<b><u>Construction Bid</u></b> <b><u>Cost Estimate</u></b>
<b>Construction Costs:</b>		
Inlet	\$31,964	\$33,585
Tunnel/4th Street	\$43,585	\$45,667
Outlet	\$18,530	\$20,008
8 <sup>th</sup> Street Inlet	\$6,400	\$7,438
<b>Subtotal</b>	<b>\$100,479</b>	<b>\$106,698</b>
<b>Right-of-Way:</b>		
Tunnel/Creekside Inlets	\$4,231	\$4,231
<b>Subtotal</b>	<b>\$4,231</b>	<b>\$4,231</b>
<b>Other Project Costs:</b>		
Engineering, Construction Management	\$26,899	\$26,899
Materials Testing and Abatement	\$965	\$965
Value Engineering/Quality Control	\$397	\$397
<b>Subtotal</b>	<b>\$28,261</b>	<b>\$28,261</b>
<b>Administration:</b>		
Zone Creation and Amendment	\$60	\$60
Real Estate/Contracting Services	\$440	\$440
Project Management	\$2,450	\$2,450
Construction Inspection	\$2,984	\$2,984
<b>Subtotal</b>	<b>\$5,934</b>	<b>\$5,934</b>
<b>Contingency</b>		
Project-wide	\$1,427	\$1,427
<b>Subtotal</b>	<b>\$1,427</b>	<b>\$1,427</b>
<b>Total Gross Project Capital Costs</b>	<b>\$140,332</b>	<b>\$146,551</b>
Real Estate Cost Recovery	\$2,500	\$2,500
<b>Total Net Project Capital Costs</b>	<b>\$137,832</b>	<b>\$144,051</b>
	(2010 Dollars)	(Construction Bid)

**Annual Project Expenses (in thousands of dollars)**

Operation and Maintenance (in 2010 dollars)	\$2,713
Zone Administration (see note below)	-0-
<b>Total Annual Expenses</b>	<b>\$2,713</b>

Alternate Funding Source for Tunnel Operations and Maintenance Tax increment financing is a tool available under state law that can be used to publicly finance needed structural improvements and enhanced infrastructure within a defined area. In addition to funding project capital costs, the 2008 project plan and reinvestment zone financing plan included tunnel operations and maintenance (O&M) costs as an eligible expense of the TIF. The 2008 plan reflected projected cash flow from the Hilton Hotel project to pay for tunnel O&M through 2024, until sufficient TIF revenues were projected to be available to fund both debt service and O&M. This funding source has proved to fluctuate with the economy, similar to sales taxes and hotel occupancy taxes, and no excess hotel cash flow became available for the tunnel project in fiscal year 2010. This updated financing plan provides the option of shifting these ongoing operating costs to the City's Drainage Utility Fund, an appropriate use of these funds for a flood control project. An increase of 40 cents per month in the current drainage fee, which is expected to be needed by 2014 or 2015, would generate sufficient funds to cover the estimated annual cost of tunnel O&M over time, providing a more stable funding source. It is possible that the cost of operating the tunnel can be partially absorbed within the Drainage Utility Fund's current budget with minimal affect on the level of contributions to their existing capital improvements program. The City's Watershed Protection Department will evaluate the feasibility of absorbing all or a portion of these operating costs prior to project completion as part of the City's five-year forecast and budget development processes. During the annual budget development process, the City Council may elect to permanently or temporarily shift the annual cost of tunnel operations and maintenance to the Drainage Utility Fund, or charge the costs to the Waller Creek TIF fund provided that sufficient TIF revenues are available. Cash flow from the Hilton Hotel project may also continue to be used in the future, when it is available, to help pay for tunnel O&M, debt service or project capital costs.

Zone Administration is an eligible TIF expense that was included in the preliminary and final project and financing plans. Expenses were estimated at \$30,000 annually. These costs are currently being absorbed by the City of Austin and have not been charged to the TIF to date. As the TIF begins to generate sufficient revenue to cover project costs of a capital nature, the City may elect to charge the costs associated with zone administration against available TIF funds.

### **Updated Economic Feasibility Studies**

The City contracted with CDS | Spillette to update the findings from the 2006 Waller Creek economic study in light of current economic conditions and recent development trends in the region, the city, the downtown Austin area and the Waller Creek TIF Reinvestment Zone No. 17. In updating their market projections, CDS | Spillette obtained



data and consulted with a number of sources, including local real estate developers and brokers, property managers, downtown organizations, Waller Creek master planners, and the Travis Central Appraisal District. They also visited and discussed local real estate conditions and outlook with Capital Market Research, a local firm that conducts real estate research and market analysis, to obtain an informal “double check” for reasonableness.

Major Differences from 2006 Market Research Several trends have emerged since the 2006 market research was completed, which was used as the basis for property valuation projections used in the 2007 Waller Creek project and financing plan. The economic recession that began to affect Austin in the fall of 2008 was not predicted when the previous study was completed. Based on input from the Travis Central Appraisal District, overall property values within the city are projected to decline in fiscal year 2011, and most likely remain relatively flat during fiscal year 2012. CDS | Spillette lowered projections of new office developments compared to 2006 projections, consistent with consultation of local real estate research resources, including Capitol Market Research. Although Austin has been outperforming the regional office market during the recent slowdown, historical variations make forecasting difficult. There have been no significant office buildings in the core of downtown since the Frost Bank building. Because new office development is becoming more dominant in the southwest quadrant of downtown, the eastern edge of downtown, where the TIF Reinvestment Zone is located, could capture a smaller share in the near term than had been projected in the past. CDS | Spillette also indicates in their updated research that commuter rail services should enhance competitiveness for office space in the Waller Creek TIF Reinvestment Zone as ridership increases over the longer term. Regarding retail development, the southwest quadrant of downtown was just emerging as a retail center in 2006, and its future dominance was underestimated at that time. CDS | Spillette estimates that this quadrant appears poised to further enhance its retail presence in the future with the City’s planned Green and Seaholm redevelopment projects, possibly affecting the likelihood of a major retail concentration within the Waller Creek TIF area. This is not expected to adversely impact property values within the TIF zone since retail presence typically acts as a sales tax generator, with less effect on property values. Finally, CDS | Spillette anticipates that the emphasis on high-quality, multi-family residential development, which the Waller Creek District Master Plan orientation would enhance, should increase property values over time and the project should remain economically viable.

### **Updated Estimated Amount of Bonded Indebtedness to be Incurred**

Outlined in the table below is a comparison of estimated project capital costs to be financed, estimate amount of bonded indebtedness, and related debt service.

Waller Creek Tunnel Project Estimated Net Project Costs with Level Debt Service In Thousands of Dollars		
	Approved Financing	Current Plan Outlook
Estimated cost of tunnel, including inflation	\$ 136,791	\$ 144,051
1999 bond proceeds, including interest earnings	\$ (27,300)	\$ (34,000)
Hotel cash flow, including interest earnings		\$ (2,000)
General Obligation CIP interest		\$ (2,000)
Inflated cost of tunnel - amount to be financed	\$ 109,491	\$ 106,051

### **Updated Description of the Method of Financing All Estimated Project Costs and the Expected Sources of Revenue to Finance or Pay Project Costs**

#### **Description of the Methods of Financing**

The updated financing plan includes the following changes that, when combined, results in a sound and stable financing plan for the Waller Creek tunnel project.

- Utilizing the Drainage Utility Fund to provide a more stable funding source for ongoing tunnel O&M costs, either temporarily or on a permanent basis, with minimal impact on the affordability of future drainage fees and on the level of contributions to the Utility's existing capital improvements program
- Reducing debt service costs by phasing the issuance of debt to more closely match project spending and anticipating savings from a more favorable interest environment
- Applying additional funding sources, such as interest earnings, to reduce the amount of costs to be financed with debt
- Providing interim funding for debt service through the temporary use of subsidies received under the Build America Bonds program and the Waller Creek Reserve Fund

- Limiting the use of excess earnings from the Hilton Hotel project to mitigate volatility that can occur due to economic cycles, while still contributing funds to help pay for costs related to the tunnel project

### **Updated Tax Rates Affecting Tax Increment Revenue**

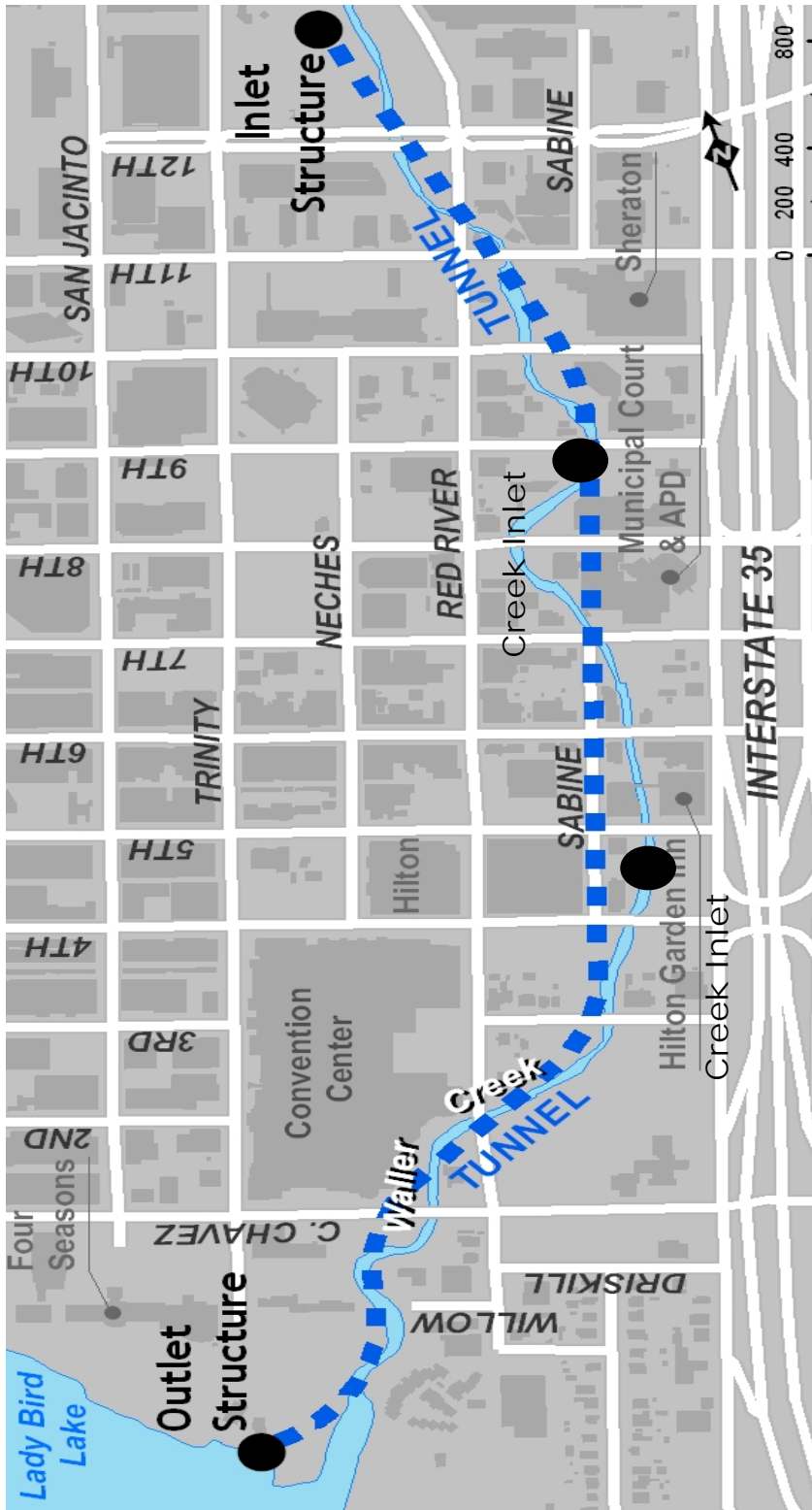
The financing plan is still based on the City of Austin contributing 100% of their collected incremental tax revenue to the zone and Travis County contributing 50% of their collected incremental tax revenue to the zone. Tax rates currently in effect are shown below.

<b><u>Taxing Unit</u></b>	<b><u>Total Tax Rate</u></b>	<b><u>Tax Rate Dedicated</u></b>	<b><u>% Dedicated</u></b>
City of Austin	\$0.4571/\$100	\$0.4571/\$100	100%
Travis County	\$0.4658/\$100	\$0.2329/\$100	50%

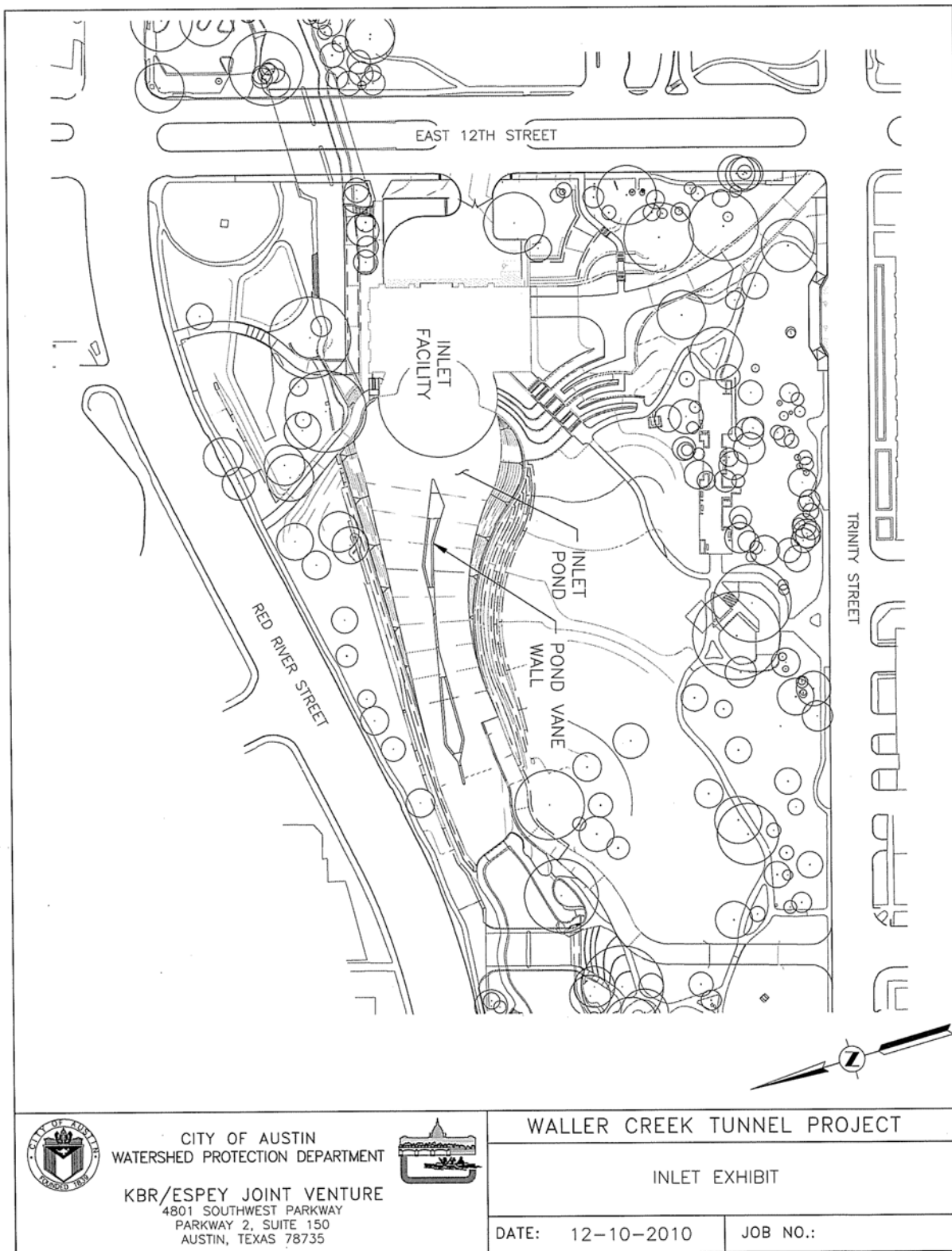
### **Updated Captured Value of the Zone during Each Year of its Existence**

The estimated captured appraised value of the TIF Reinvestment Zone No. 17 during each year of its existence has been updated based on the market research completed by CDS | Spillette. Updated market demand and absorption projections are shown in Exhibit 13. Updated projections of TIF value, increments and tax revenue are shown in Exhibit 14. The projections shown in Exhibit 14 reflect a cumulative surplus in excess of \$2 million at the end of the 20-year TIF term, assuming that TIF funds are used to pay for debt service, as well as tunnel O&M costs. Under an alternative scenario, Exhibit 14 depicts a cumulative surplus of \$58 million if the costs of tunnel O&M are shifted to the City's Drainage Utility. During the City's annual budget process, the City Council will have the option of permanently or temporarily shifting tunnel O&M costs to the Drainage Utility, or charging the costs to the Waller Creek TIF fund provided that sufficient TIF revenues are available. Council may also elect to fund costs related to the tunnel project with cash flow from the Hilton Hotel project when it is available.

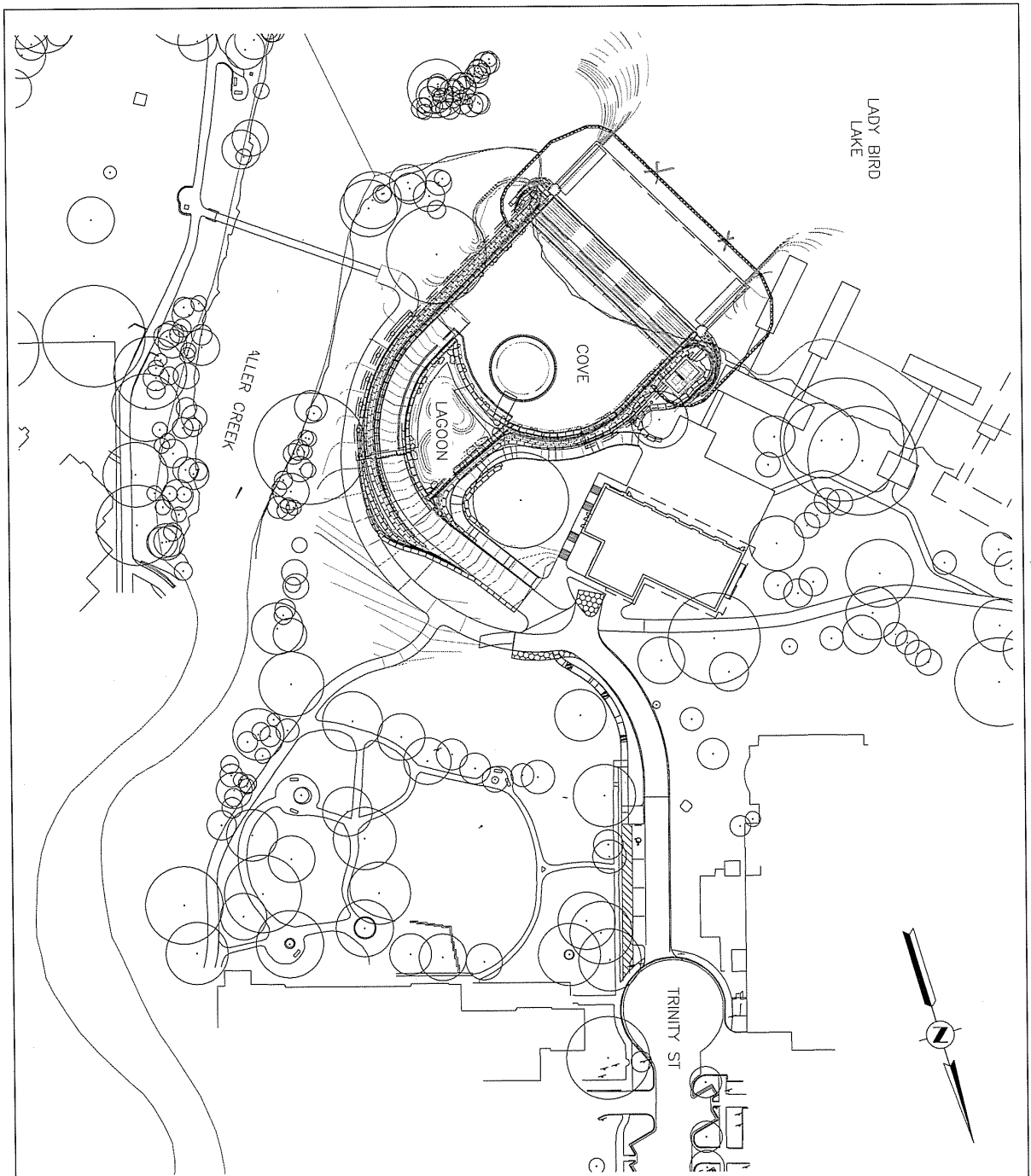
Exhibit 10  
Updated Tunnel Alignment



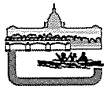
**Exhibit 11**  
**Updated Inlet Rendering**



**Exhibit 12**  
**Updated Outlet Rendering**



CITY OF AUSTIN  
WATERSHED PROTECTION DEPARTMENT



KBR/ESPEY JOINT VENTURE  
4801 SOUTHWEST PARKWAY  
PARKWAY 2, SUITE 150  
AUSTIN, TEXAS 78735

WALLER CREEK TUNNEL PROJECT

OUTLET EXHIBIT

DATE: 12-10-2010

JOB NO.:

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# **Waller Creek TIRZ**

## **2009 Update of Market Demand and Absorption Projections**



Prepared for:

**City of Austin, Texas**



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## Introduction / Executive Summary

### Study Purpose

This study, performed for the City of Austin, examines market trends affecting four land uses in Downtown Austin: office, multifamily residential (rental and condominium), hotel, and retail. CDS | Spillette has then summarized and synthesized the information gathered in research overviews for each use to arrive at projections of market-supportable absorption within the Waller Creek Tax Increment Reinvestment Zone (TIRZ).

The projections include three physical improvement scenarios that are described below. The scenarios pertain to the scope and nature of physical improvements provided within the TIRZ, particularly the draft Waller Creek Master Plan for transportation enhancements and public amenities.

### Research Approach and Analysis Methodology

CDS | Spillette took a multi-pronged approach to gathering research for this study. The amalgam of information sources, both primary and secondary, included:

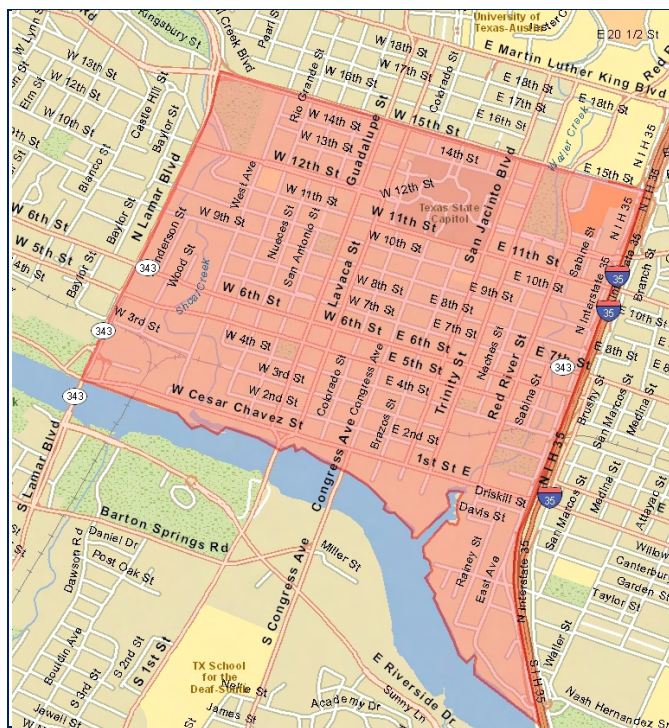
- Census data
- State of Texas Comptroller (retail sales data)
- Travis Central Appraisal District
- City of Austin agencies (Planning and Development Review, Convention Center)
- Real estate developers and brokers
- Development project websites
- Property managers
- Waller Creek Master Plan consultants (Roma)
- Other organizations and sources (Capitol Market Research, newspaper articles, etc.)

The objectives of the research were to assess the current state of the real estate and development markets for the subject land uses, identify trends occurring since the previous studies, project future demand and growth of the subject land uses within the overall Downtown area, and project a capture of that growth within the Waller Creek TIRZ under the three public improvement scenarios.

## Study Area

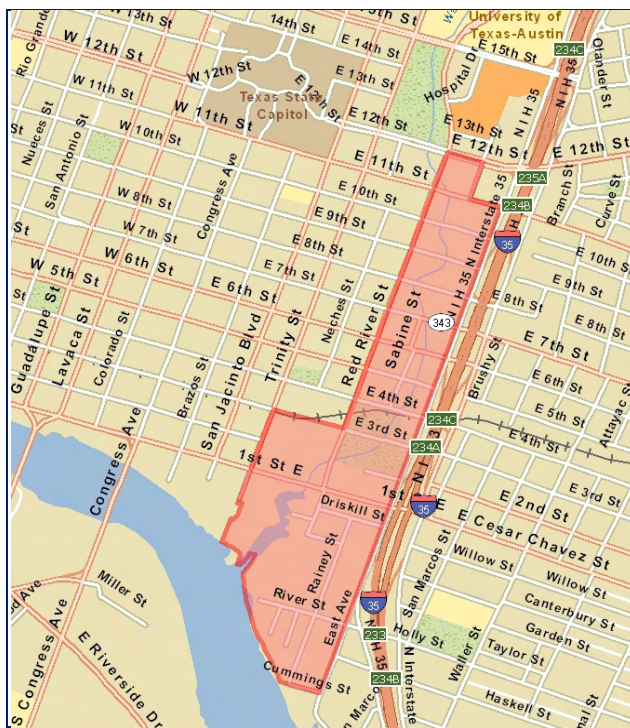
The following two maps illustrate the study areas used for analysis: Downtown and the boundaries of the Waller Creek TIRZ. In the Hotel market overview, the Downtown study area was slightly expanded to account for some proximate and relevant hotel properties.

**Downtown Study Area**



Source: CDS | Spillette

**TIRZ Area**



Source: CDS | Spillette, City of Austin

## Physical Concept Scenarios

CDS | Spillette performed this market analysis within the context of two principal future physical scenarios

1. **Master Plan** – The physical improvements conceptualized in the draft Waller Creek Master Plan are built by 2014 or 2015. The plan focuses on creating a defined and attractive pedestrian / bicycle pathway parallel to Waller Creek from Waterloo Park to Lady Bird Lake combined with environmental improvements to the creek channel.

The focus of pedestrian and bicycle travel in much of the corridor will be at street level rather than a below grade creekside path. In particular, Sabine Street will be extended and enhanced to be continuous between 3<sup>rd</sup> Street and 7<sup>th</sup> Street as a lushly landscaped pedestrian and bicycle promenade that constitutes the central segment of the pathway. The pathway would cross 7<sup>th</sup>, 9<sup>th</sup>, and 11<sup>th</sup> Streets at grade. A more direct companion bicycle route would also be designated along Red River Street through the length of the corridor. All east-west cross streets would be

receiving streetscape improvements to bring them up to the “Great Streets” standards applied elsewhere in Downtown.

The creek channel itself would undergo physical restoration to a more natural state in several locations, giving it a stronger linear open space quality including implementing riparian softscape and reduced gradient to the creek banks. The plan would significantly improve access to existing parks, including Palm Park, Waterloo Park, and Lady Bird Lake, that are linked by the new pathway. Palm Park is assumed to be generally improved as well from its current state of partial neglect and lack of patronage.

2. **Creekside** - CDS | Spillette has also considered how the Master Plan design concept would have different market and development impacts from the previous concept for Waller Creek surface improvements, called the **Creekside** concept in this report. These improvements would constitute a continuous hardscaped environment below grade within the main creek channel thereby creating development opportunities similar in concept to the Riverwalk in San Antonio.
3. **Storm Drainage Only** – The City implements only **Storm Drainage Improvements** within the TIRZ; no open space, landscaping, or pathway amenities are built. The overall public environment remains essentially the same as today, except for whatever public improvements might be constructed as part of individual private development projects in the absence of a comprehensive master plan and related investments.

## Summary of Market Findings

### Regional Economic and Demographic Trends

- Emerging from the recession in the early part of the decade, Austin regional population and employment has undergone a run of strong growth, adding an estimated 76,600 jobs from 2005 to 2009; 58,000 City of Austin residents from 2005 to 2008, and 244,000 in the region; and 25,000 City of Austin households, and 63,000 households in the region.
- The City’s demographer projects population growth of 2.00% annually over the long term, though the recession is likely slowing growth somewhat through 2011. Economists generally expect the Austin region to recover relatively early from the recession and resume strong job growth.
- Austin’s ongoing and future growth means that Downtown has good prospects for increasing its employment and population as well.

### Office Market

- After performing poorly during the early years of the decade, Austin’s office market recovered well until 2007 and has declined since, as economic growth slowed while new supply was added to the market. The Downtown market has outperformed the region during the downturn and remains moderately healthy.
- Very little new supply has been added to the Downtown market since the Frost Bank Building opened in 2003.



- Once the economic recovery is underway, Downtown should garner significant growth in office demand.
- Several large office projects are proposed Downtown, all of which are located in the southwest quadrant of Downtown or in the Congress Avenue corridor. The TIRZ is not well positioned at present to capture a significant share of office growth, though improving the environment through the Master Plan may provide some incremental competitive benefit. This recent trend was not yet fully evident as of the 2006 market update and projections of future office development for the current update have been adjusted accordingly.

### **Multifamily Rental Market**

- Downtown proper has experienced a large increase in multifamily rental supply over the last decade, including several high rise developments. Although overall occupancy dropped in 2008 as several new projects came to market, absorption has been strong. All properties that opened within the last decade, except the Ashton which is newly opened in 2009, have at least 90% occupancy.
- Downtown properties, on average, obtain much higher rents than the rest of the region.
- New apartment properties within the TIRZ, Legacy on the Lake and Red River Flats, are doing well. The two projects represent different market segments: upscale renters valuing proximity to green space and renters comfortable in more moderately priced properties that are close to entertainment options and convenient to the remainder of Downtown.
- One multifamily project, Gables Park Plaza, is under construction within Downtown proper. Five other projects are proposed, including the 355-unit 21c project within the TIRZ. The total number of units under construction or proposed Downtown is 1,217.
- The outlook for apartment demand in both Downtown and the TIRZ is positive. The south end of the TIRZ should attract more upscale multifamily rental projects, including high rises, while northern portions are best suited to low-rise construction (partly due to the Capitol View Corridor) with less expensive rents.

### **Condominiums**

- Since 1999, nearly 1,800 condominium units have opened within Downtown proper. Another 531 units are under construction. The most recent projects are mostly new high rise construction rather than adaptive reuse.
- New condominiums have covered a wide range of price levels, from under \$300,000 to over \$1 million. The projects under construction are generally focused on the top end of the market.
- Demand for new condominiums has proven to be strong. Out of 1,889 high rise units built or under construction since 2001, including 1,248 units built in 2008 or 2009 alone, all but 422 have been sold. Units priced under \$400,000 have sold especially quickly.
- The high rise projects under construction all target the upper end of the market, which is likely creating a temporary oversupply of luxury units.

- At least 1,908 additional condominium units are proposed for development within Downtown. All but one, Nahua, are proposed for Downtown's southwest quadrant or Congress Avenue corridor.
- Condo buyers have proven to be diverse in age and life situation, though few have school age children. The market is primarily buyers seeking a primary residence, and over two thirds come from within the Austin area.
- The TIRZ will continue to attract condominium development to the Rainey Street area and possibly to its central and northern portions as well.

## **Hotel**

- Downtown hotel room stock increased rapidly to over 5,200 rooms in the first half of the decade then leveled off after 2006; hotel development continued elsewhere in the region up to the present.
- The current recession has hurt overall regional hotel performance, but the Downtown market has not fared nearly as badly. Performance measures for 2009 indicate a moderately healthy Downtown hotel market.
- Downtown is accounting for an increasing share of regional hotel room revenue despite not adding rooms in recent years.
- A large number of hotel rooms, at least 3,454, are proposed in Downtown for future development. Only one, the W Hotel, is currently under construction. Three hotels have been proposed within the TIRZ, all in the Rainey Street area at its south end.
- The various entities responsible for attracting and hosting conventions are seeking development of another large headquarters hotel which they believe would facilitate an increase in overall meetings business. A Marriott with 1,000 rooms has been proposed but is on hold. These entities also seek additional luxury and boutique hotel development Downtown. Most proposed hotels, to the extent they have defined their concept, are targeting the upscale or luxury market.
- The meetings business as monitored by the Convention and Visitors Bureau has softened with the recession, but initial indications are that full recovery may be coming by 2012.
- In addition to the upscale hotels proposed for the south end of the TIRZ, the central and northern portions of the TIRZ present hotel development opportunities for more moderately priced limited service hotels.

## **Retail**

- Downtown retail spending is strongly dominated by restaurants and bars. Downtown spending in these establishments has increased substantially since mid-decade, and Downtown is increasing its share of total Travis County spending in this category. Growth in sales at Downtown Clothing, Jewelry, and Luggage stores have outperformed Travis County overall.



- Downtown first-floor retail space inventory is estimated at approximately 2.75 million square feet, with a vacancy rate of 14%. Only the Market District and the 2<sup>nd</sup> Street District represent multi-building retail spaces that are managed in a coordinated fashion.
- Nearly all of the TIRZ's retail space is devoted to restaurant and entertainment establishments. The East 6<sup>th</sup> Street district is the target of an effort to broaden its retail offerings, though lower-end bar and entertainment establishments continue to dominate.
- Almost all planned and proposed expansions to retail inventory are part of mixed-use developments.
- The southwest quadrant of downtown is clearly the preferred location for retail activity in Downtown, accounting for most recently developed space, all space under construction, and most proposed space. Two mixed-use projects within the TIRZ that propose to include 1-2 floors of retail space are 21c and Nahua.
- The TIRZ, due to lack of daytime activity and large residential population at present, is not well suited to extensive retail development, especially comparison and convenience goods. Extensive residential development with the zone will help generate neighborhood-oriented shops and services in the long run. Any near to middle term retail growth in the TIRZ is anticipated to remain focused on dining and entertainment.
- The Master Plan would mainly be indirectly beneficial to retail development by encouraging residential growth and generally increasing awareness of the area. It would have less of an impact on retail growth than the previous Creekside scenario would have had. Although there is less growth projected within the TIRZ under the Master Plan scenario, the impact on TIRZ property value is not projected to be significant. In terms of public revenues, retail space is typically most valuable as a sales tax generator.

## Projected TIRZ Absorption

CDS | Spillette used the findings of the market research to project market-supportable absorption for each land use during the remainder of the life of the TIRZ. Projections were made for the three physical concept scenarios previously described. Please see the last section of the report for a detailed discussion of projected absorption in Downtown and within the TIRZ.

Absorption was calculated for Downtown overall. A projected capture rate was then applied to the TIRZ to project supportable absorption within the zone over time. It is important to note that the projected quantities of absorption do not represent actual quantities of new development. Vacancy rates and building efficiencies will lead to projections of actual built area for each use, which will be larger than the absorption amounts.

A summary comparison of projected market-supportable absorption across the three scenarios is presented in the table below.

### Comparative Summary of Total Supportable Absorption, 2010 - 2027

Land Use	Measurement	Master Plan Supportable Absorption	Master Plan Increase (Decrease) vs:	
			Storm Drainage Only	Creekside
Apartments	Dwelling Units	1,284	499	373
Condominiums - mid-priced	Dwelling Units	924	339	243
Condominiums - luxury	Dwelling Units	245	62	62
Office	Sq.Ft.	975,000	180,000	180,000
Hotel - limited service	Rooms	290	73	(145)
Hotel - full service	Rooms	318	-	(72)
Retail	Sq.Ft.	73,000	21,000	(105,000)

Source: CDS | Spillette

## Regional Economic and Demographic Trends

### Economy and Employment

The Austin region has experienced tremendous growth in its economy over the last two decades. Since 1990, the total number of jobs has nearly doubled to approximately 769,000. The table below provides employment statistics for all major industry sectors.

**Austin MSA Historical Employment Trends by Category 1990 – 2009**

Industry Category	End of Year Estimates					Change			
	1990	1995	2000	2005	2009*	1990 - 1995	1995 - 2000	2000 - 2005	2005 - 2009
Total Nonfarm	389,000	516,500	672,700	692,200	768,800	127,500	156,200	19,500	76,600
Natural Resources, Mining and	13,100	26,300	41,300	40,200	44,600	13,200	15,000	-1,100	4,400
Manufacturing	47,500	65,300	82,800	57,300	51,600	17,800	17,500	-	-5,700
Machinery	2,400	2,800	3,600	3,700	4,100	400	800	100	400
Computer and Electronic Products	25,000	36,900	48,400	30,100	25,800	11,900	11,500	18,300	-4,300
Wholesale Trade	12,300	17,900	34,900	37,400	39,000	5,600	17,000	2,500	1,600
Retail Trade	42,500	54,200	69,400	72,700	83,700	11,700	15,200	3,300	11,000
Transportation, Warehousing, and	5,900	8,900	10,700	11,700	13,100	3,000	1,800	1,000	1,400
Information	10,400	13,800	24,300	21,500	19,900	3,400	10,500	-2,800	-1,600
Telecommunications	3,900	4,300	7,400	5,100	5,500	400	3,100	-2,300	400
Finance and Insurance	16,700	21,100	25,200	29,000	31,400	4,400	4,100	3,800	2,400
Professional and Business Services	36,600	60,000	91,900	94,100	114,600	23,400	31,900	2,200	20,500
Prof., Scientific, and Technical Svcs.	20,000	26,800	45,100	47,300	58,700	6,800	18,300	2,200	11,400
Admin. and Support and Waste Mgmt.	14,800	30,400	43,800	42,800	47,000	15,600	13,400	-1,000	4,200
Educational and Health Services	36,100	47,800	62,300	71,100	82,500	11,700	14,500	8,800	11,400
Leisure and Hospitality	35,100	46,900	60,600	69,700	82,400	11,800	13,700	9,100	12,700
Other Services	15,400	18,500	22,300	26,500	32,400	3,100	3,800	4,200	5,900
Government	111,100	127,700	136,800	148,900	159,300	16,600	9,100	12,100	10,400
Federal	13,000	11,100	10,500	10,200	10,800	-1,900	-600	-300	600
State	57,800	64,900	64,900	68,800	68,900	7,100	0	3,900	100
Local	40,300	51,700	61,400	70,000	79,600	11,400	9,700	8,600	9,600

Source: Texas Workforce Commission

\*Values as of August 2009

- Although the region is known for its concentration of high-technology companies, related industry sectors have declined since 2000, especially manufacturing. Instead, various categories of Service industries have grown most strongly in the last decade. Unlike the technology companies, many Service companies are more inclined to locate within the City of Austin, including Downtown.
- Austin has suffered during the national recession which arrived in the area in late 2008. Government data sources indicate that the Austin - Round Rock Metropolitan Statistical Area (MSA) lost about 6,000 jobs between September 2008 and September 2009. The region's strong Government and Education sectors are helping to provide a steadying influence as other industries have suffered declines.
- In spite of these losses, the MSA is considered one of the regions least negatively impacted by the recession in the entire nation. Numerous publications and institutions have ranked it as among the very top performing economies at the present time, with strong expectations that it will be among the earliest to emerge from the slowdown.

## Regional Population and Households

Along with rapid job growth in the Austin region has come a boom in population and households. The tables below provide population and household statistics as estimated by the Bureau of the Census.

### Bureaus of Census Population Estimates

Area	2000 Census	July 1 American Community Survey Estimates		Change	
		2005	2008	2000 – 2005	2005 - 2008
City of Austin	656,562	699,812	757,688	43,250	57,876
Travis County	812,280	901,701	998,543	89,421	96,842
Austin-Round Rock MSA <sup>1</sup>	1,249,763	1,406,364	1,650,887	156,601	244,523

<sup>1</sup> Census 2000 used Austin – San Marcos MSA.

Source: U.S. Bureau of the Census

### Bureaus of Census Household Estimates

Area	2000 Census	July 1 American Community Survey Estimates		Change	
		2005	2008	2000 – 2005	2005 - 2008
City of Austin	265,649	289,688	314,344	24,039	24,656
Travis County	320,766	356,445	394,253	35,679	37,808
Austin-Round Rock MSA <sup>1</sup>	471,855	540,685	603,680	68,830	62,995

<sup>1</sup> Census 2000 used Austin – San Marcos MSA.

Source: U.S. Bureau of the Census

- As Austin's job market recovered from the recession of 2001 – 2002, population growth accelerated. The MSA added approximately 156,000 residents over a five-year period from 2000 to 2005, but nearly 250,000 in just the following three years. This acceleration of growth took place within the City of Austin as well.
- The growth in households was not nearly as strong as the growth in residents. The growth in household size – from an average of 2.57 in 2000, to 2.60 in 2005, to 2.66 in 2008 – helps to explain this.
- The City of Austin performs its own estimates and forecasts of population within its jurisdictional boundaries. Its estimate of population for 2008 was 750,525, lower than the Census estimate of 757,688. For 2009, the City has estimated its full-service population to be 774,037, a remarkably high 3.13% annual growth rate. The City is projecting that its population growth will slow considerably over the next two years, at less than 2.00% annually, before returning to a 2.00% rate for several years following.
- The principal impact of these trends is that potential residential and household growth in the region and City overall provide an ever-expanding “pie” from which Downtown can obtain market share. Increasing household sizes mean that a significant amount of the region's growth will be due to multiple-person households that are less likely to locate in urban core neighborhoods, which normally cater to 1- and 2-person households. However, growth in smaller households will be large enough for Downtown to continue ample population gains.

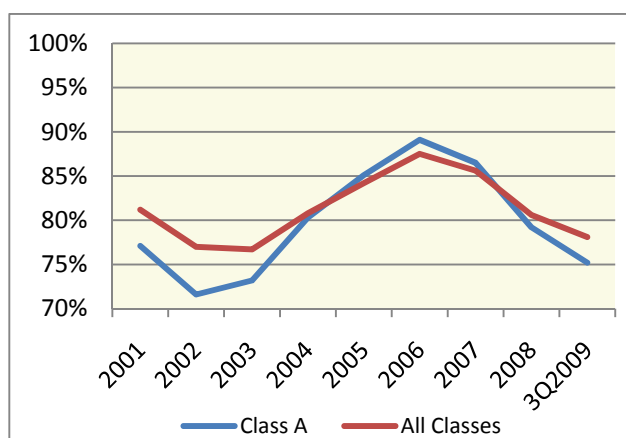
## Office Market Overview

The Austin region has experienced volatile office market conditions over the past decade as its economy expanded and contracted. As the overall market changed and grew, so has Downtown's place in it.

## Regional Market Trends

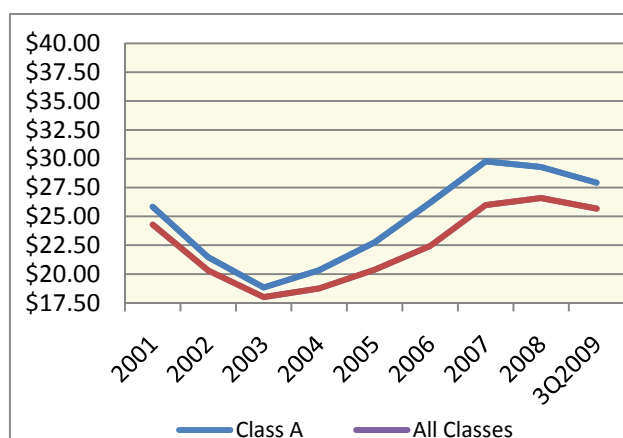
The three charts below provide a summary of key statistics for the MSA's office market. They reflect the broader cycle of the economy, enhanced with additions to inventory from new development that occurred mid-decade. Regional office inventory is estimated to total 43.1 million square feet.

### Austin MSA Historical Office Occupancy



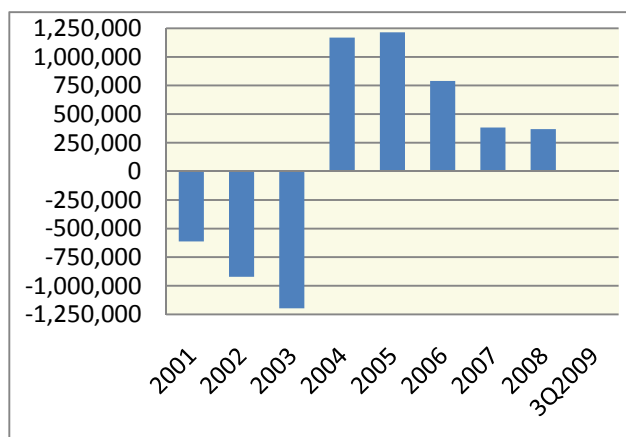
Source: Oxford Commercial/Cushman Wakefield, CDS | Spillette

### Austin MSA Historical Office Rent/SF/Yr



Source: Oxford Commercial/Cushman Wakefield, CDS | Spillette

### Austin MSA Historical Office Absorption



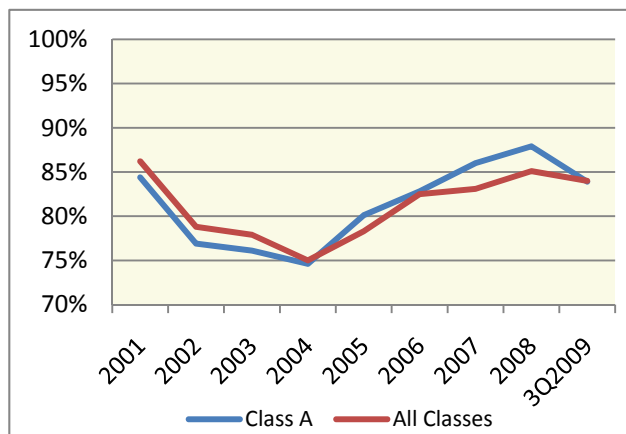
Source: Oxford Commercial/Cushman Wakefield, CDS | Spillette

- After bottoming out following the tech industry collapse in the early part of the decade, Austin's ensuing employment growth drove occupancies upward of 85% by 2006. The overall market tracked the Class A market closely. Occupancies have declined since 2006 due to both declining absorption and additions to inventory.
- Office rents, which plunged dramatically in the early part of the decade, recovered with a slight lag as occupancies improved. Since 2008, rents have begun to slide, though not nearly as precipitously as in the previous recession.
- Absorption statistics show that 2004 signaled a rapid office market recovery. Strong absorption of more than 1 million square feet in both 2004 and 2005 was followed by gradually decreasing increments through 2008.

## Downtown Market Trends

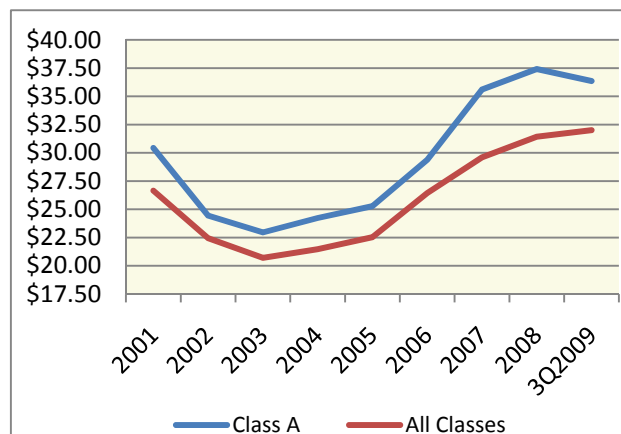
Much as with the overall regional market, Downtown Austin's office market has shown general trends that are reflective of the region's economic cycles, as illustrated in the charts below. Downtown's current office inventory is estimated to be approximately 8.7 million square feet (source: Oxford Commercial / Cushman & Wakefield).

### Austin CBD Historical Office Occupancy



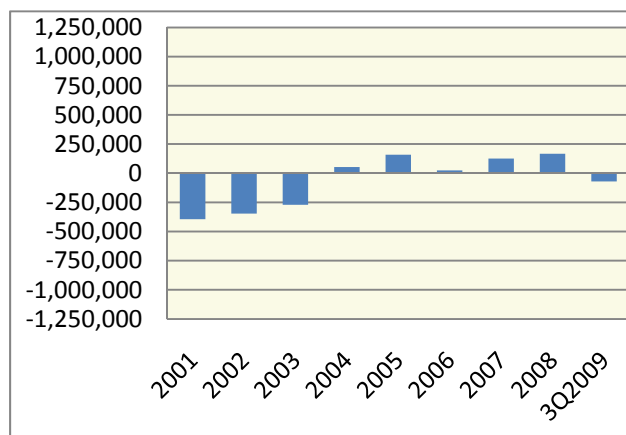
Source: Oxford Commercial/Cushman Wakefield, CDS | Spillette

### Austin CBD Historical Office Rent/SF/Yr



Source: Oxford Commercial/Cushman Wakefield, CDS | Spillette

### Austin CBD Historical Office Absorption



Source: Oxford Commercial/Cushman Wakefield, CDS | Spillette

- Occupancy peaked in 2008, with all classes having dipped below 85% as of third quarter 2009. An estimated 20.7% of 1.4 million square feet of vacancy was sublease space as of third quarter 2009.
- Class A average rents also peaked in 2008.
- After significant negative absorption from 2001 to 2003, the CBD experienced slightly positive absorption from 2004 through 2008. However, net occupied space has fallen slightly in 2009.
- The State of Texas has publicized plans to move some administrative and support uses from central Austin to a suburban campus in the coming years. It is not known how much multitenant office space this will free up in Downtown; however, the Downtown Austin Alliance reports that the State's workforce within Downtown is not expected to drop.
- In 2010 commuter rail from the northern suburbs should begin operation, serving Downtown office commuters.

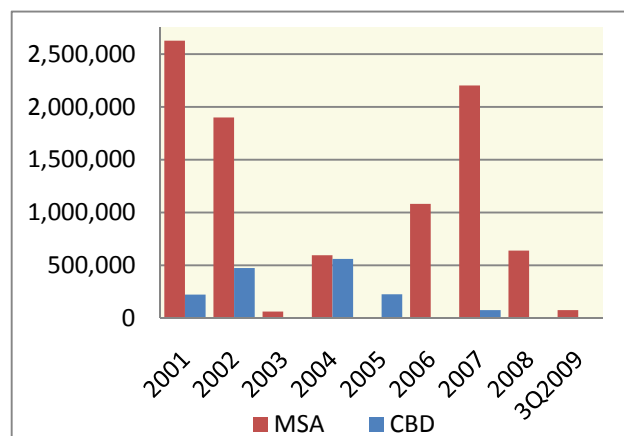
## Downtown Market vs. Region

Historically, outside of the Government sector and firms which interact directly with it, Downtown has not been the location of choice for the primary tenant drivers of the office market such as technology companies. There are indications that Downtown's place in the regional market may be changing, however.

- As Austin has grown and developed a larger Services sector, including subsectors such as Financial, Legal, and Business Services, there has been a more consistent tenant base that is likely to favor a Downtown location. Reflecting this trend, the Frost Bank Tower was built in 2003, adding over 500,000 square feet of leasable area to the Downtown market.
- Still, Downtown accounts for just 20% of the overall regional inventory: during the past decade, and particularly the last four years, millions of square feet of additional supply were developed in non-CBD locations, with much less added to the CBD, as the above chart illustrates.
- The lack of inventory growth in Downtown has allowed it to perform better than the overall regional office market. The charts below show that the Downtown office market experienced declining occupancies and rents at a later date and to a lesser extent than the overall MSA market. Continuing leases from the expansion years and increasing appeal of Downtown as an urban district have led to an increasing rent premium for its office properties, with average rents (before concessions) remaining above \$35 per square foot for Class A space.

### Historical Office Construction Comparison

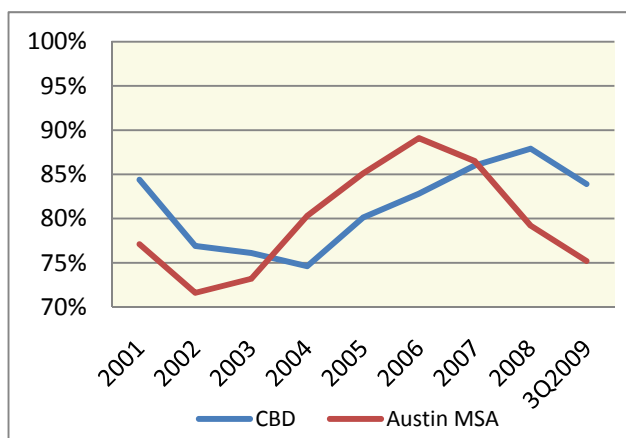
Austin MSA vs. CBD



Source: Oxford Commercial/Cushman Wakefield, CDS | Spillette

### Historical Class A Occupancy Comparison

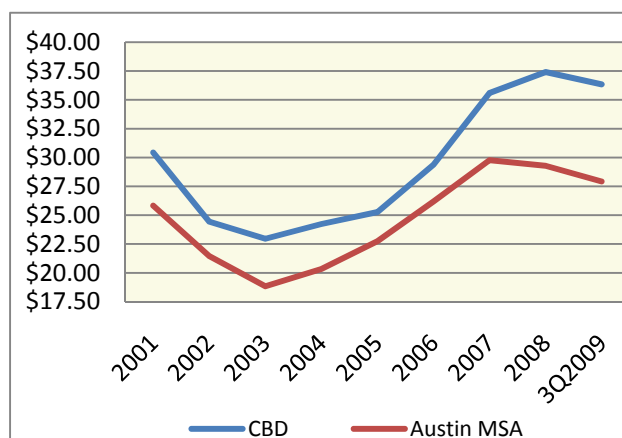
Austin MSA vs. CBD



Source: Oxford Commercial/Cushman Wakefield, CDS | Spillette

### Historical Class A Rent Comparison

Austin MSA vs. CBD



Source: Oxford Commercial/Cushman Wakefield, CDS | Spillette



## Current Development Activity

In 2009, a relatively low quantity of new office development has occurred as the region is still attempting to absorb other new additions to supply from the last few years at the same time that the economy has slowed down.

- Year-to-date 2009, new developments have increased the supply of office space in the region by approximately 720,000 square feet. Areas near Downtown have accounted for about 329,000 square feet of this total, including two buildings just west of Downtown (Capstar at Compass Plaza and 1011 W. 5<sup>th</sup>, which is mixed-use with retail).
- No office completions have occurred within Downtown in 2009. However, a number of projects are planned or proposed. Also, some residential-mixed use properties are under construction; it is possible that the relatively small amounts of commercial space in these properties could accommodate some small-tenant office users, though it is expected that the primary focus will be retail tenants.

The table below shows that the Congress Avenue corridor and the west side of Downtown are the favored locations for potential new office development. There are no planned large office developments east of Brazos Street. A relatively small amount of flexible office / retail space is proposed to be included in the Nahua mixed-use tower at the Mexican American Cultural Center.

### Under Construction, Planned or Proposed Austin Downtown Office Projects

Project	Location	Start Date	Completion	Total Sq. Ft.
501 Congress	501 Congress	Undetermined	Undetermined	500,000
Seaholm Power Plant	Cesar Chavez St.-3rd St./ W of Shoal Creek	Late 2009	Undetermined	Undetermined
Green Water Treatment Plant	NW Corner Cesar Chavez St./San Antonio St.	2010	Undetermined	588,000
Star Building Redev.	NW Corner of Colorado St./5 <sup>th</sup> St.	Undetermined	Undetermined	Undetermined
Shoal Creek Walk	Bowie/5 <sup>th</sup> /6 <sup>th</sup>	Undetermined	Undetermined	450,000+
Shoal Creek Offices Redev.	NE Corner of 6 <sup>th</sup> St./West Ave.	Undetermined	Undetermined	112,683
Gables Park Plaza	SE Corner of Lamar and 3 <sup>rd</sup> St.	Undetermined	Early 2010	11,000
Capitol Terrace	SW Corner of 14 <sup>th</sup> and Lavaca	Undetermined	Undetermined	62,000
Nahua	River St. and Rainey St.	Undetermined	Undetermined	28,000
<b>Total</b>				<b>1.75 million +</b>

Source: Downtown Austin Emerging Projects 8-2009, CDS | Spillette

## Other Observations and Implications for the Waller Creek TIRZ

- In many respects Downtown Austin, though an old district, is still an emergent office market. Metropolitan economic and population growth are generating support for growth in locally-oriented Services sector industries that may choose to locate Downtown, expanding the potential tenant base.
- The evolution of Downtown as an urban district will help contribute to its competitiveness as an office location. The continuing growth of quality restaurants, retail, and personal services within

walking distance is an amenity that will increase demand for some potential tenants. It is likely not coincidental that planned and proposed office development is located in the areas of Downtown with the greatest concentration of new retail uses.

- Recent development and leasing in districts adjacent to Downtown indicate potential office demand by tenants seeking a pleasant urban mixed-use environment but unwilling to pay premium rents for a Downtown location.
- Current conditions in the financial markets make it unlikely that any new large-scale office construction starts are likely in the near term. This will give the market a chance to restore occupancy and buoy rents as the regional economy begins its expected upswing and job creation, anticipated as early as 2010. Assuming this economic rebound occurs, the Downtown office market should regain health quickly, as it has not suffered as much as other areas during this downturn.
- While demand for overall Downtown office space should recover relatively strongly, the Waller Creek TIRZ is not well positioned to capture a significant share of growth in the near term. Other development proposals for large office buildings are more advanced and located in the Congress Avenue corridor and the upscale mixed-use area west of Congress.
- Once economic recovery is sustained and if commuter rail service is proven to provide a strong accessibility benefit, sites east of Brazos may become more attractive for office uses.
- Most opportunities in the near term for capture of office demand in the TIRZ are likely to be small tenants that can afford less than premium rates. Implementation of the Waller Creek Master Plan, if it results in a more polished, active, and upscale urban environment that encourages restaurant uses, may help the TIRZ become more competitive for office development in the long run, though it may be limited to “boutique” users in relatively small properties or in uniquely themed projects (Nahua for example).
- The success of commuter rail service would enhance the TIRZ’s competitiveness for office space, as the Downtown station is within walking distance.

## Multifamily Rental Market Overview

One of the most significant changes in Downtown over the last decade has been the addition of multifamily housing, much of it rental apartments. Multifamily rental development has occurred already within the Waller Creek TIRZ and is expected to play a role in future development within the zone.

### Current and Recent Multifamily Development

The last four years have brought extensive multifamily development to Downtown, nearby areas, and indeed the whole region.

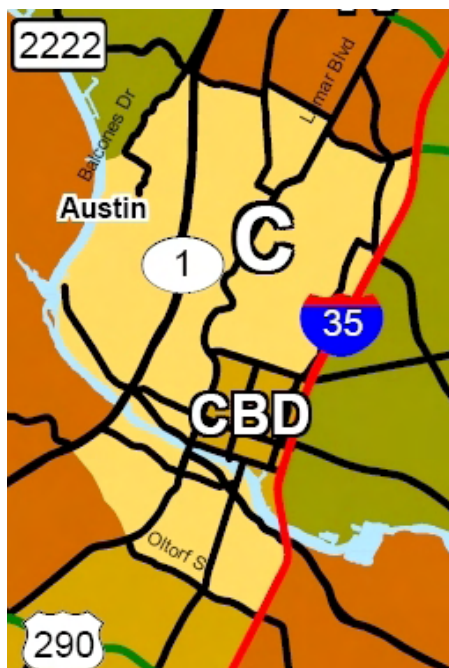
- The table to the right shows that over 3,300 units are currently under construction in the MSA. The Central submarket, surrounding Downtown west of IH 35 ("C" on the map below, in yellow), accounts for 620 of these units.

#### Multifamily Project Development Summary

	Number of Units		
	CBD	Central	Austin MSA
<b>Submitted</b>	0	377	4,834
<b>Approved</b>	0	786	1,710
<b>Under Construction</b>	315	620	3,316

Source: Austin Investor Interests

#### Multifamily Submarket Map



Source: Austin Investor Interests

- Within Downtown ("CBD" on the map), 315 units are being built (Gables Park Plaza, and remaining units of the Ashton) and should open in early 2010.
- Currently, no additional apartment units have been submitted to or approved by the City within Downtown. In contrast, 1,163 units and 6,544 in the Central submarket and overall MSA respectively could be in the pipeline.
- Downtown has added considerable apartment inventory within the last two years: 653 units opened in 2008 and 421 in 2009.

## Downtown Apartment Inventory and Market Conditions

CDS | Spillette's previous studies documented 3,224 multifamily rental units in 20 properties within Downtown. All but four of those properties were built prior to 2001; several properties were also peripheral to Downtown and outside the area defined in the map on the previous page. In addition, as previously mentioned, several new properties have opened since 2006. Due to new development with more immediate geographic proximity and market relevance to the Waller Creek TIRZ Area appearing since completion of the past studies, we have now highlighted these properties rather than older and more distant properties which were previously used.

- The table below provides a list of multifamily rental properties built within the last decade in the CBD. The eight properties total 1,673 units. Four of the properties are mid-rise and four are high-rise.

### Downtown Apartment Inventory (Recently Built Projects)

October 2009

No.	Development	Address	Total Units	Year Built	Stories
1.	Gables of West Ave.	300 West Avenue	239	2001	4
2.	404 Rio Grande	404 Rio Grande St.	140	2004	4
3.	AMLI Downtown	201 Lavaca St	220	2004	7
4.	AMLI on 2 <sup>nd</sup>	421 W. 3 <sup>rd</sup> St.	230	2008	18
5.	Red River Flats	901 Red River St.	118	2008	4
6.	The Monarch	805 W. 5 <sup>th</sup> St.	305	2008	30
7.	Legacy on the Lake	43 Rainey St.	185	2009	32
8.	The Ashton	101 Colorado	236	2009	36
<b>Total</b>			<b>1,673</b>		

Source: Austin Investor Interests, CDS | Spillette

- On the next page, the first table gives an overview of the occupancies and rents at these properties. Occupancies at all properties except the Ashton exceed 90%. The Ashton is still in its lease-up phase.
- Apart from the Ashton, the lowest occupancies at 90% and 91% are the Monarch and Legacy of the Lake respectively. These are also the newest properties apart from the Ashton. The Monarch is the largest property with 305 units.
- All other properties are at least 94% occupied, indicating a generally healthy market. Five of the properties are currently known to be offering free rent or reduced rate concessions on some or all units, reflecting the overall economic slowdown. The Red River Flats stated that their current effective rental rate (after concessions) is \$1.43 per square foot; at opening it had been \$1.74.
- Rents at all properties are at the upper end of the Austin market. Gables West Avenue, the oldest of the selected properties, also offers the lowest rents by far; its unit sizes are also the smallest on average. The Ashton has the largest units and highest average rents. This may be slowing down its stabilization period, as it is targeting the very top of the market where the renter pool is smallest.

**Downtown Austin Apartment Rent Survey**

October 2009

No.	Unit Type	No. of Units	Occ. %	Avg. Unit Size (SF)	Avg. Rent/ Month	Avg. Rent/SF/ Month	Concessions / Other
1.	Gables of West Ave.	239	95%	819	\$1,133	\$1.38	None
2.	404 Rio Grande	140	96%	989	\$1,729	\$1.75	1 month free on 2 bed units
2.	AMLI Downtown	220	94%	1,009	\$1,751	\$1.74	None
3.	AMLI on 2 <sup>nd</sup>	230	96%	904	\$2,035	\$2.25	None
4.	Red River Flats	118	96%	941	\$1,549	\$1.65	Look and Lease:1 month free
5.	The Monarch	305	90%	1,266	\$2,038	\$1.61	Reduced rates on some units
6.	Legacy on the Lake	185	91%	1,134	\$2,085	\$1.84	1 month free
7.	The Ashton	236	37%	1,357	\$2,566	\$1.89	2 months free

Source: Austin Investor Interests, CDS | Spillette

- The table below summarizes the unit counts, sizes, and rents by plan type. One-bedroom units dominate, accounting for over half of total units. One-third of total units have two bedrooms. Studios and three-bedroom units account for nearly all the remainder.
- Perhaps because of their rarity, three bedroom units have the highest average rent per square foot; in other market areas, larger units such as these would more typically have lower rents per square foot.

**Apartment Unit Mix Summary**

October 2009

C\* and CBD\* Areas Only

Floor Plan	Share of Market	Quantity	Average Rent / Mo.	Avg. Rent / Sq.Ft.	Avg. Size
Efficiency	6%	511	\$710	\$1.60	444
1 Bedroom	57%	4,994	\$1,041	\$1.46	713
2 Bedroom	33%	2,884	\$1,488	\$1.41	1,057
3 Bedroom	4%	324	\$2,351	\$1.61	1,463
4 Bedroom	0%	35	\$2,210	\$1.48	1,490

Source: Austin Investor Interests

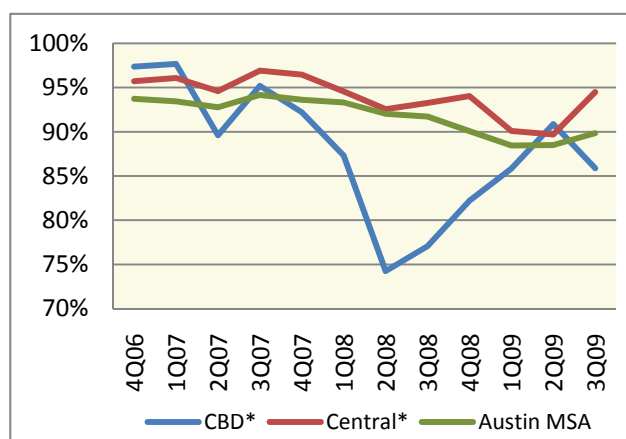
\*See map on page 14 for area illustration

## Market Conditions Comparison

A comparison of the apartment market trends in urban core market areas versus the regional market over the last few years is provided in the charts below.

- Occupancies in the Downtown market (CBD) were similar to the MSA average until 2008, when several new properties entered the market. Occupancies climbed during stabilization of these properties to the point where the CBD market area had surpassed the MSA average by mid-2009.
- Additional new supply, perhaps also in conjunction with the economic recession, has caused a dip in CBD area occupancy during the second half of 2009. It should be noted that the subset of most recently built properties within Downtown identified earlier generally show occupancies above the market area average.
- The Central submarket, which also includes the University of Texas campus (but not the Downtown core), has shown the healthiest occupancy over the last two years. It is possible that occupancy in this submarket may dip slightly when new properties currently under construction enter the market.
- Downtown average rents per square foot are much higher than either the Central submarket or the MSA average at nearly \$1.80 per square foot (before concessions). The Central submarket, at nearly \$1.40 per square foot, is itself considerably more expensive than the MSA average, which is less than \$1.00 per square foot.
- Downtown's average rents per square foot reached a peak in late 2007 then decline to 2006 levels after new properties entered the market.

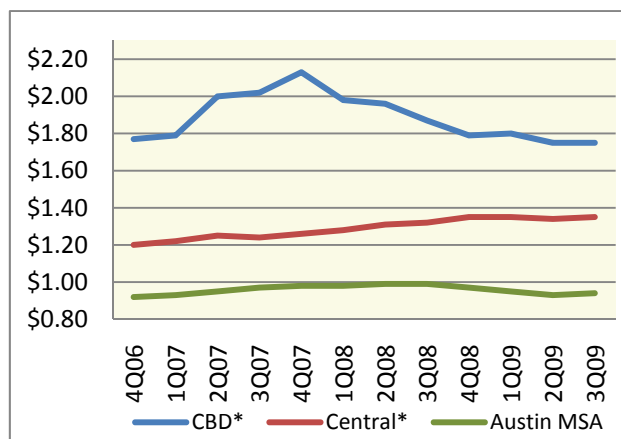
### Historical Multifamily Occupancy



Source: Austin Investor Interests, CDS | Spillette

\* See map on page 14 for area illustration

### Historical Multifamily Rent per Square Foot

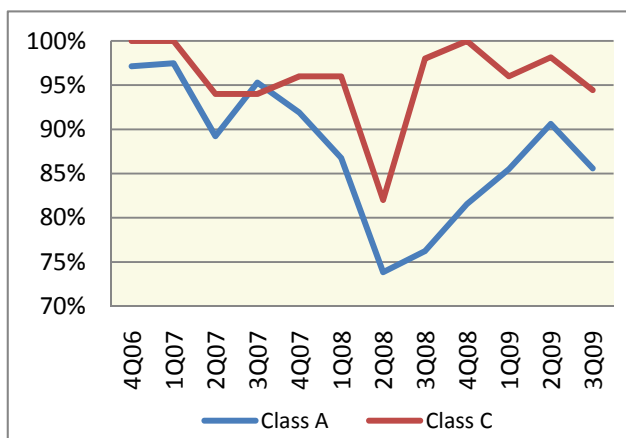


Source: Austin Investor Interests, CDS | Spillette

\* See map on page 14 for area illustration

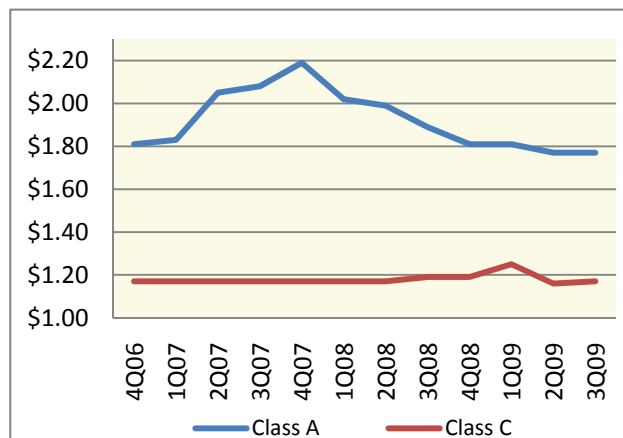
- The charts below compare trends in rents within Downtown between Class A and Class C properties (there are too few Class B properties to track). The Class C properties have achieved higher occupancy than the Class A properties, particularly since the opening of the new Class A projects that came on line in 2008.
- Class C average rents have remained relatively constant for the last few years while average Class A rents declined in 2008 with the entry of new supply.

### Historical CBD Multifamily Occupancy by Class



Source: Austin Investor Interests, CDS | Spillette

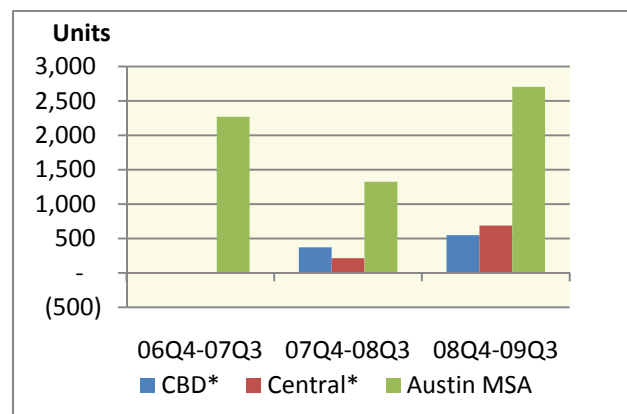
### Historical CBD Multifamily Rent by Class



Source: Austin Investor Interests, CDS | Spillette

- The chart to the right illustrates the increasing absorption share of the urban core submarkets relative to the overall region. For the four most recent quarters for which data is available, the Downtown and Central submarkets accounted for 46% of regional absorption. Quarterly breakdowns (not provided here) show that even as the recession brought negative absorption to the overall MSA market in late 2008 and early 2009, Downtown continued to have positive absorption.

### Historical Multifamily Absorption



Source: Austin Investor Interests, CDS | Spillette

\* See map on page 14 for area illustration

## Future Development

The table below summarizes known and potential new multifamily rental projects in Downtown.

- One project is currently under construction in Downtown, the Gables Park Plaza, opening in 2010.
- Five other projects are proposed within Downtown. One is the 21c project within the Waller Creek TIRZ. A Kentucky developer will be developing a 31-story rental tower that will contain 355 units, 10% of which will be affordable to households below the region's median income. Eight of the units will be live-work artists' lofts overlooking Waller Creek that will also offer lower rents. Art will be a major theme of the overall development; an adjacent hotel will contain an art museum.
- Together with Gables Park Plaza, all of the other future projects are west of Congress Avenue. Three of these four projects are concentrated in an area bounded by 5<sup>th</sup> Street, Lamar Boulevard, Cesar Chavez, and Lavaca Street. Together with existing and planned apartment and condominium development, that area is becoming a concentration of residential uses, attracted partly by the presence of Whole Foods Market and other retail.

### Multifamily Rental Projects Currently Proposed or Under Construction

Project Name	Location	Completion	Stories	Units	Developer / Other
<b>UNDER CONSTRUCTION</b>					
<b>Gables Park Plaza</b>	115 Sandra Muraida Way @ Lamar Blvd.	6/2010	6	292	Gables Residential, Second Phase may include up to 180 condos
<b>PROPOSED</b>					
<b>21c</b>	Cesar Chavez and Red River	2012 at earliest	31	355	21c; 10% of units to be affordable to below median income renters
<b>Gables Republic Park</b>	Next to Republic Park			210	Gables Residential, Apartments above ground floor
<b>Thomas C. Green Water Treatment Plant</b>	NW Corner of Cesar Chavez St. / San Antonio St.			320	Project also to include 235 senior independent living units, 140 condo's, 375 room hotel, 588,000 sf office, 160,000 sf retail, 10,000 SF civic/non-profit space
<b>Capitol Terrace</b>	SW Corner of 14 <sup>th</sup> and Lavaca			30	12-story mixed-use
<b>1306 West Ave.</b>	1306 West Ave.			10	Stickerburr, LLC
<b>Future Additions Total</b>				<b>1,217</b>	

Source: Emerging Projects, Downtown Austin Alliance, and CDS | Spillette



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## Other Observations and Implications for the Waller Creek TIRZ

- Discussions with property representatives and real estate professionals indicate that the demand for Downtown rentals is almost entirely lifestyle driven. Though there are many apartment residents who also work in Downtown, there are also many who commute to other parts of the region. Those who have chosen to live Downtown, at a significant price premium, do so because they want to be walking distance to restaurants, bars, and amenities like Lady Bird Lake.
- The dominant renter group Downtown is not students, but a mix of young professionals and empty nesters; there are few families with school-age children, though infants are becoming more common.
- The Red River Flats, by Greystar, have proven to have a diverse tenant profile. Located in the heart of the Red River entertainment area and subject to noisy activity in nearby nightclubs and on the street in the evenings, the property has attracted more older tenants than was expected. The property is up front with potential move-ins about the environmental factors of the neighborhood.
- Staff from Gables noted that nearby passive green space is an important element in attracting upscale young professionals that are looking for proximity to Downtown's retail and entertainment amenities but do not want to be immersed in them. Many such tenants also have dogs, adding another layer of importance to green areas.
- The most important finding regarding the potential for future multifamily rental development within the Waller Creek TIRZ is that two new properties have recently opened within the district and are doing well. They represent different physical product types and different price segments of the Downtown market:
  - Red River Flats is located within the Capitol View Corridor restriction area in the middle of the TIRZ, one of Downtown's grittier areas. It is relatively moderately priced for the Downtown market, though it still features upscale finishes in the units. It leased up quickly upon opening.
  - Legacy on the Lake is a high rise building with considerably higher rents than at Red River Flats. Its location in the Rainey Street area, across the street from park space along Lady Bird Lake and lacking much surrounding retail and entertainment, gives it an entirely different atmosphere from Red River Flats as well. Conversion of nearby single family houses to bar use may begin changing this environment, though it is too early to tell whether it will enhance or detract from Legacy's competitiveness.
- The lack of available financing for new projects is expected to quash development in the near term, possibly until at least 2011.
- However, the outlook for apartment development in Downtown and within the Waller Creek TIRZ is strong over the long run. Occupancies appear to be remaining high in the recently built Downtown projects despite the current economic downturn. The resumption of regional job growth (not just Downtown), will undoubtedly precipitate interest in new apartment development throughout Downtown.

- Although none of the proposed apartment projects are within the TIRZ, Waller Creek has shown to be successfully able to capture two segments of this potential Downtown market growth:
  - Upscale renters seeking a relatively quieter environment within Downtown, coupled with nearby green space; the rents this segment is willing to pay can justify high-rise construction.
  - Moderately affluent renters who are willing to pay a premium over non-Downtown properties in order to be close to the thriving entertainment scene, but are not willing or able to pay rents that justify construction more expensive than wood frame.
- The Rainey Street area, with its mix of high-end condominium and apartment towers and adjacent green space, is becoming established at capturing the first market segment.
- Red River Flats is emblematic of the second market segment. The portions of the TIRZ between Cesar Chavez and 11<sup>th</sup> Street are best suited to this market segment, which can more comfortably coexist with the presence of loud nightclubs, social service agencies, and IH 35. The Waller Creek Master Plan, by adding green space in certain locations, may mitigate the limiting factors somewhat, but it is unlikely that a large number of the most upscale renters will gravitate to this subarea.
- The far northern portion of the TIRZ is more removed from the features of Downtown that appeal to upscale urbanites – walkable high quality restaurants, entertainment, and shopping. It does provide substantial green space at Waterloo Park, however, and is not subject to as much burden from nighttime entertainment impacts. Thus apartment development here may be more upscale than the mid-TIRZ area, though there is little reason to assume it would cater to truly luxury-oriented residents. If the academic health center and research institute being proposed by the University of Texas and Seton Family of Hospitals is located at the Brackenridge Hospital campus, demand would be created to house faculty, staff, and students. This portion of TIRZ would be a suitable place for accommodating the renter portion of that demand.

## Condominium Market Overview

Condominium uses have been highly prominent among newly developed projects over the last decade. Some new projects have been within or very close to the Waller Creek TIRZ.

## Recent and Current Development

Since 1999, Downtown (defined as east of Lamar, west of IH 35, north of Lady Bird Lake, and south of 15<sup>th</sup>) has added a total of 1,767 condominium units in 13 properties to its inventory, and another 531 units are under construction within Downtown proper. These properties are listed in the tables below.

### Recently Built / Converted Downtown Condominiums

Building Name	Address	Year Built	# Units
Avenue Lofts	410 E. 5th	1999	38
Brazos Lofts	411 Brazos St.	1925/1999	39
Nokonah	901 W 9th	2002	99
Plaza Lofts	311 W. 5th	2002	60
5 Fifty Five	555 E 5th	2004	98
Brown Building Lofts	710 Colorado	1940/2004	90
Austin City Lofts	800 W 5th	2004	82
Milago	54 Rainey	2006	240
The Sabine on Fifth	507 Sabine St.	NA/2008	80
Brazos Place	800 Brazos St.	1948/2008	72
The Shore	603 Davis St.	2008	192
360	360 Nueces St.	2008	430
Spring	300 Bowie St.	2009	247
		<b>TOTAL</b>	1,767

Source: Urban Space Realtors, CDS | Spillette

### Condominiums Under Construction

Building Name	Address	Expected Completion	# Units
Austonian	NWC 2 <sup>nd</sup> and Congress	2010	178
La Vista on Lavaca	1701 Lavaca	2010	16
904 West Ave.	904 West Ave.	2010	31
Four Seasons Residences	Cesar Chavez at San Jacinto	2010	147
Block 21 Residences	2 <sup>nd</sup> / Lavaca / 3 <sup>rd</sup> / Guadalupe	2011	159
		<b>TOTAL</b>	531

Source: Urban Space Realtors, CDS | Spillette

- The latter half of the decade saw a shift from smaller adaptive reuse projects toward new high-rise construction that could bring hundreds of units to market at once. The years 2006 through 2009 accounted for 71% of all new condo units (1,261 units) since 1999. High-rises during this period contained 1,109 units.
- Three recently built projects are located within the Waller Creek TIRZ: Milago, Sabine on 5<sup>th</sup>, and The Shore. All are post-2006. Two more projects, Avenue Lofts and 5 Fifty-Five, date from 1999 and 2004 respectively and are located within two blocks west of Red River.
- Just across IH 35 and Lady Bird Lake from the Rainey Street area but not included in the previous tables, the Star Riverside project is adding 64 units in six-story structures to be completed in 2010.

## Pricing Trends

New condominium projects in Downtown Austin have exhibited a wide range of pricing, from under \$400 per square foot to in excess of \$500 for non-penthouse units. The table and chart below illustrate this pricing range.

### Historical Downtown Condominium MLS Sales Data

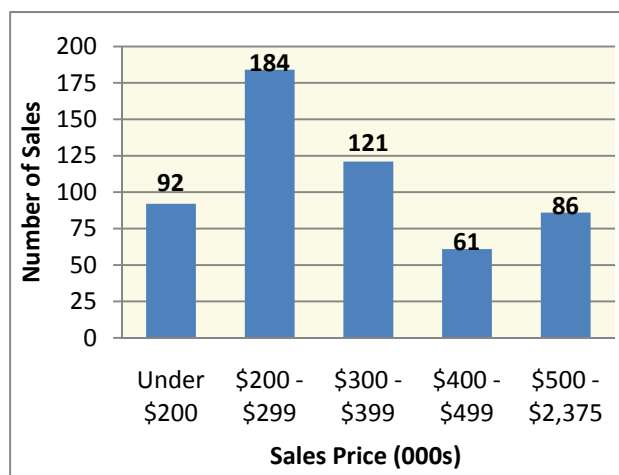
Jan. 2002 to Oct. 2009

	Year Built	Square Feet	Sales Price	Sales Price/ Square Foot	Days on Market
Low	1925	322	\$85,000	\$147	0
High	2009	6,260	\$2,375,000	\$667	719
Mean	1990	1,181	\$358,025	\$301	92
<b>Median</b>	<b>2001</b>	<b>1,164</b>	<b>\$300,000</b>	<b>\$293</b>	<b>65</b>

Source: Urban Space Realtors, CDS | Spillette

### Historical Number of Condo Sales by Sales Price

Jan. 2002 to Oct. 2009



Source: Urban Space Realtors, CDS | Spillette

- Multiple Listing Service (MLS) data for Downtown condominium sales (which focuses on resales but also may include new units) indicates the bulk of the market is between \$200,000 and \$400,000.
- A significant share of sales have also occurred at luxury pricing levels above \$500,000.

### MLS Data for Recently Built / Converted Downtown Condominiums

Data from Jan 2002 – Oct 2009

Building Name	Address	Year Built	Bed Rooms	Bath Rooms	Average Size (SF)	Average Sales Price	\$/SF
Avenue Lofts	410 E. 5th	1999	1,2	1,1.5	1,262	\$365,954	\$289
Brazos Lofts	411 Brazos St.	1925/1999	1,2	1,2	1,261	\$373,833	\$296
The Shore	603 Davis St.	2008	1,2	1,2	1,154	\$350,750	\$302
The Sabine on Fifth	507 Sabine St.	2008	1,2	1,2	1,287	\$398,740	\$313
Milago	54 Rainey	2006	1,2,3	1,2	1,031	\$341,097	\$327
Austin City Lofts	800 W 5th	2004	1,2	1,2	1,790	\$627,883	\$357
Plaza Lofts	311 W. 5th	2002	1,2	1,2	1,600	\$570,355	\$356
Brown Building Lofts	710 Colorado	1940/2004	1,2	1,2	896	\$311,640	\$360
360	360 Nueces St.	2008	1,2	1,2	824	\$300,040	\$362
Brazos Place	800 Brazos St.	2008	1,2	1,2	946	\$359,708	\$380
Nokonah	901 W 9th	2002	2,3	2,3,3.5	1,589	\$659,422	\$419
5 Fifty Five	555 E 5th	2004	1,2,3	1,2,3.5	1,668	\$758,836	\$444
Spring	300 Bowie St.	2009	1,2,3	1,2,3	823	\$433,524	\$524

Source: Urban Space Realtors, CDS | Spillette

The table above summarizes the prices for the recently built Downtown condo projects based on MLS closings from 2002 to 2009. It should be noted that MLS sales will likely not include many of the sales of brand new units but instead emphasize resales. Therefore the most recently built properties will generally have a smaller sample.

- The two oldest properties, Avenue Lofts and Brazos Lofts, have had the lowest average price per square foot. Otherwise, there are no discernable patterns relating age of property to price per square foot.
- Three groupings of properties, as determined by price per square foot, are identifiable in the table. The least expensive ranges from \$289 to \$327 per square foot. All three condominium properties within the Waller Creek TIRZ fall into this category, as does one nearby property, Avenue Lofts. The next tier ranges from \$357 to \$380 per square foot. The upper tier ranges from \$419 to \$524 per square foot. Within each category, levels of actual sales prices may vary considerably depending on the sizes of units being offered.
- The Waller Creek TIRZ properties all had average sales prices ranging from \$341,097 to \$398,740. The Avenue Lofts falls in this category as well. However, there are indications that pricing may have softened in 2009. Based on a recent analysis of resales in The Milago by the website AustinTowers.net from November 2009, summer / fall 2009 transactions averaged \$268 per square foot with a range of \$231 to \$313. There have been a few sales under \$200,000.
- The 5 Fifty-Five is an anomaly in the greater Waller Creek area, with pricing at the upper end of the spectrum. This is due partly to its location within the Hilton hotel and additional services available as a result.

## Recent Condominium Absorption

The absorption rate of new Downtown condominium units in relation to the rapid expansion of supply has been the focus of much attention and study recently. CDS | Spillette has reviewed data, which is widely available in the public domain, on this matter in addition to primary research.

- The adjacent table tallies new condominium units built and sold since 2000 as compiled by Capitol Market Research. It should be noted that the total number of units (1,889), differs from the total reported earlier in this section (1,767), likely due to differences in the geographic definitions of "Downtown". The principal point is that through 2008, demand for condominium units remained very strong even as supply ballooned and the national economy faltered (though the Austin region did not fall into recession until late 2008).
- The table at the bottom right provides the remaining inventory of new units to be sold (including those under construction) as of mid-October 2009, also compiled by Capitol Market Research. The total number of new high-rise units awaiting buyers totaled 422 at that point in time. (904 West, which is not a high rise, was not included in the analysis).
- Almost all new units remaining unsold are in projects targeting the upper end of the market. Spring, while offering relatively expensive prices on a per-square-foot basis, has more unit prices in less expensive price ranges (under \$500,000) due to smaller unit sizes. The other three projects under construction are all true luxury-priced properties, with heavy concentrations of units priced above \$500,000 and some in excess of \$1 million.

### Downtown Condominium Sales

2000 to July 2009

Year	Total Units Built	Total Units Sold
2000	0	0
2001	90	90
2002	57	57
2003	0	0
2004	82	82
2005	98	90
2006	0	0
2007	314	300
2008	806	613
2009	442	239
<b>Total</b>	<b>1,889</b>	<b>1,471</b>

Source: Capitol Market Research, presentation to Downtown Austin Alliance

### Downtown High-Rise Condominium Inventory

October 14, 2009

Property	Units	# Sold or Contract	Remaining Inventory
Plaza Lofts	60	57	3
The Shore	192	181	11
Spring	248	120	128
The Austonian	178	55 <sup>1</sup>	123
Four Seasons Residences	148	72 <sup>1</sup>	76
Block 21 Residences	159	78 <sup>1</sup>	81
<b>Total</b>	<b>1,889</b>	<b>1,471</b>	<b>422</b>

Sale contracts, not closed sales.

Source: Capital Market Research

### Proposed Additions to Downtown Condominium Supply

As of Fall 2009

Project Name	Location	Units	Developer / Other
5th and Brazos	E. 5th and Congress	200	Tom Stacy & Associates
Seaholm Power Plant	W. Cesar Chavez	NA	Seaholm Power, LLC; mixed-use redevelopment
Green Water Treatment Plant	W. Cesar Chavez and San Antonio	140	Trammell Crow; mixed-use redevelopment
Ovation	W. 5 <sup>th</sup> and San Antonio	436	Novare / Andrews Urban
Block 52 / Novare	W. 5 <sup>th</sup> and Guadalupe	550	Novare / Andrews Urban
Energy Control Center	W. 3 <sup>rd</sup> and West Ave.	482	Trammell Crow
Nahua	River St. at Rainey St.	100	Esperanza Development and Mexican American Cultural Ctr.
	TOTAL	1,908+	

Source: Emerging Projects, Downtown Austin Alliance, and CDS | Spillette

Despite the rapid increase in condominium supply, developers have proposed several other projects Downtown. The table above summarizes those with sites in Downtown proper.

- The proposed projects as currently publicized would account for over 1,800 units (possibly over 2,000 once the Seaholm plan is finalized). Some developers are quoted as hoping to start construction in 2010.
- Except for Nahua, all of the listed projects are west of Brazos Street and south of 6<sup>th</sup> Street, in Downtown's southwestern quadrant.
- Nahua would be located within the Waller Creek TIRZ. It would be part of a multi-use tower and employ Latin American aesthetic themes. Its pricing would be in luxury price ranges but not quite as high end as the Austonian. Its developer is keeping the project dormant until certain land conveyances from the City proceed and the general financing situation becomes less restrictive.
- The Ovation and Block 52 projects would be from the same development team as the 360 condominium tower which is nearby. This may indicate that these two new projects would target a similar price point, which is among Downtown's more affordable for a high-rise property.
- The Seaholm and Green Water Treatment Plant condominiums would be part of larger mixed-use developments on sites that are relatively large for Downtown. The units in both projects

could potentially have unobstructed views on all floors directly across Cesar Chavez Street to Lady Bird Lake.

- Two potential projects near the Waller Creek TIRZ but outside of Downtown include the next phase of Star Riverside (140 units), which may include very high-priced units near \$1 million, and Block One, at 5<sup>th</sup> and San Marcos two blocks east of IH 35.

## Other Observations and Implications for the Waller Creek TIRZ

- Condominium development has not occurred solely within the strict boundaries of Downtown. New projects have also emerged south of Lady Bird Lake and east of IH 35. In a general sense, these do present some competition for Downtown properties, though they lack a primary amenity of being within reasonable walking distance of Downtown's retail and activities.
- One project, Sixth and Brushy, is literally only a block from the Waller Creek TIRZ. There also have been other projects in East Austin, generally four stories or less. The East Austin developments have generally offered a more affordable price point, some offering units under \$250,000. However, IH 35 is a significant barrier that keeps East Austin as a separate market except for those who are completely priced out of Downtown.
- The market has not had trouble absorbing units priced under \$400,000. All properties offering such units have essentially sold out, with the exception of The Sabine, which has had legal issues and will be releasing most of its remaining units at auction in the very near term. Despite some downward pressure on pricing, resale activity in the price range has remained strong as well.
- Assuming sales contracts convert, some progress has been made regarding absorption of high-end units at properties under construction now. Still, there are a large number of units coming to market in a price range that typically has the smallest potential buyer pool. Finishing the sellout of these properties may be slow, especially since there is an increasing supply of resales of existing properties that also present competition.
- This oversupply of the highest-priced units should be temporary and will be aided by conditions in the financial markets, which are preventing new projects from going forward. Thus there will likely be a gap of at least a year, possibly more, before additional projects commence development. The long development process means that the market should have sufficient time to digest the current crop of new units prior to the next significant expansion in supply.
- In terms of buyer profile, the ages of condo buyers has been highly diverse, including young professionals, mid-career households (usually without a young child living with them full time), and empty nesters. For other aspects, findings by Capitol Market Research as of January 2008 included the following:
  - Over two-thirds of purchases were intended for primary residences;
  - Purchasers' places of employment are located all over the region, not just Downtown; and
  - Over two-thirds of buyers were from the Austin area, and just one-fifth were from outside Texas.



- This profile indicates broad-based demand not dependent on any one group, but more tied into the general health of the Austin economy. The fact that Downtown has been developing as an appealing urban neighborhood with walkable shopping, dining, entertainment, and open space has been critical. The option of purchasing in this type of neighborhood had not previously been available, so projects to date have also been taking advantage of “latent” demand.
- Condominium development within the Waller Creek TIRZ has paused. Although proposed projects are located primarily in the southwest quadrant of Downtown or east of IH 35, the Rainey Street area at the south end of the TIRZ has proven itself in the condominium market and will likely be the site of more development in the future, particularly high-rises. It remains to be seen if truly high-end projects occur there (similar to Austonian or Four Seasons). More likely pricing strategies similar to The Shore or 360 would be appropriate, unless the units are tied to an upscale hotel property.
- If land prices allow, low-rise condominium development could be appropriate for the central and northern portions of the TIRZ. Sites more insulated from the centers of nighttime entertainment will be preferred. Pricing on such development would likely be non-luxury, though not necessarily entry-level.

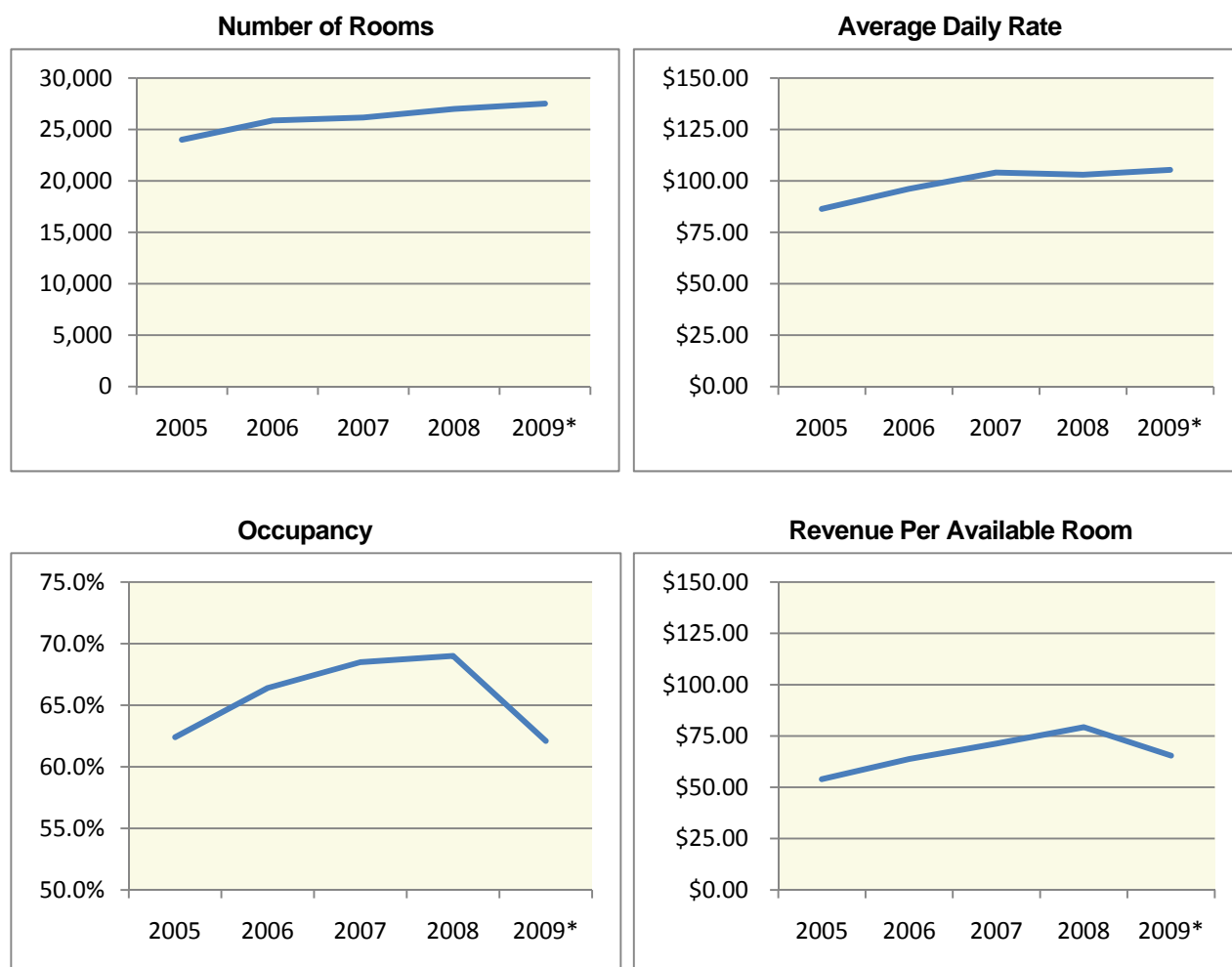
## Hotel Market Overview

Just as with residential uses, the Downtown Austin hotel market has experienced a large increase in supply over the last decade. In addition, the City expanded the Convention Center, located adjacent to Waller Creek. Its presence and the increasing focus on tourism in Downtown make hotel uses a potentially significant factor in future development in the Waller Creek TIRZ.

## General Hotel Market Trends

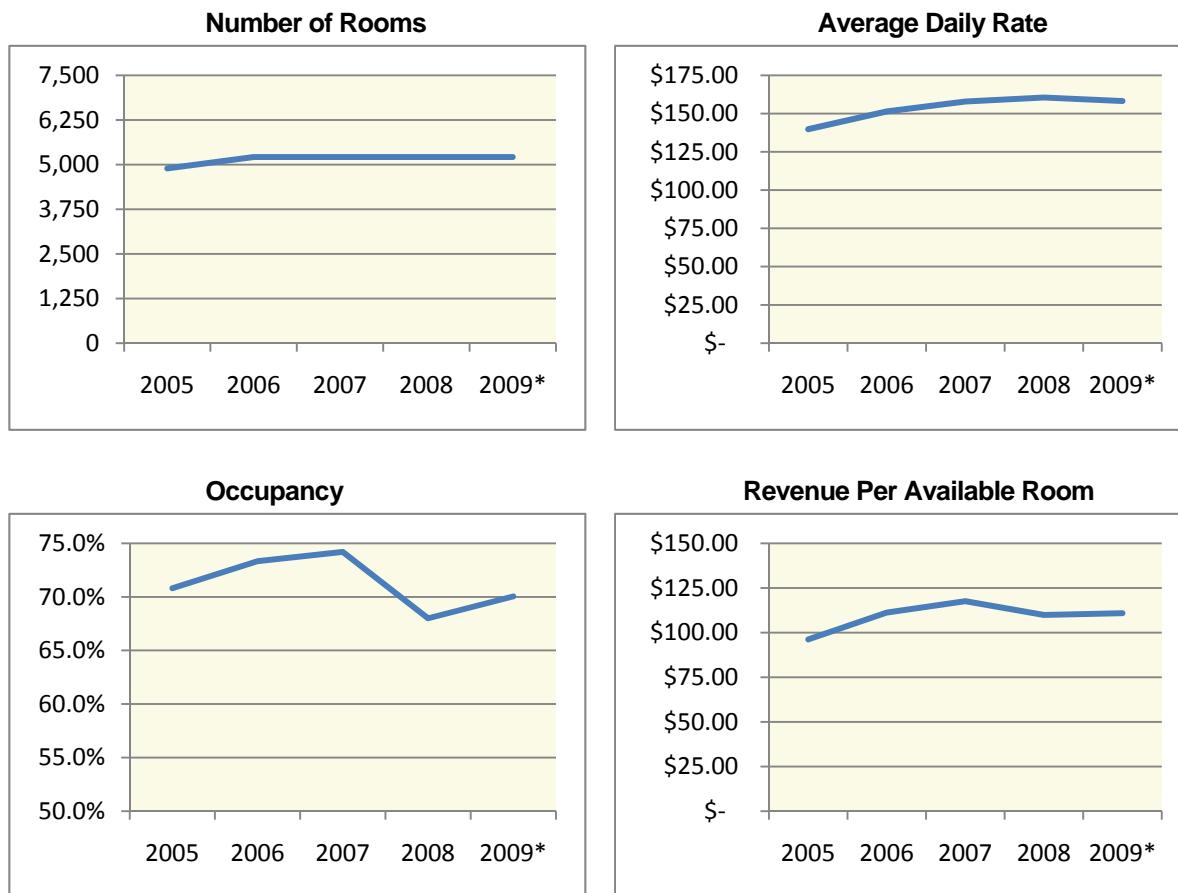
The series of charts below present the indicators for the regional Austin hotel market over the last several years. These are followed on the next page by indicators specifically for Downtown Austin.

### Austin Region Hotel Trends



\*Data through 2Q 2009 Sources: Source Strategies, CDS | Spillette

### Downtown Austin Hotel Trends



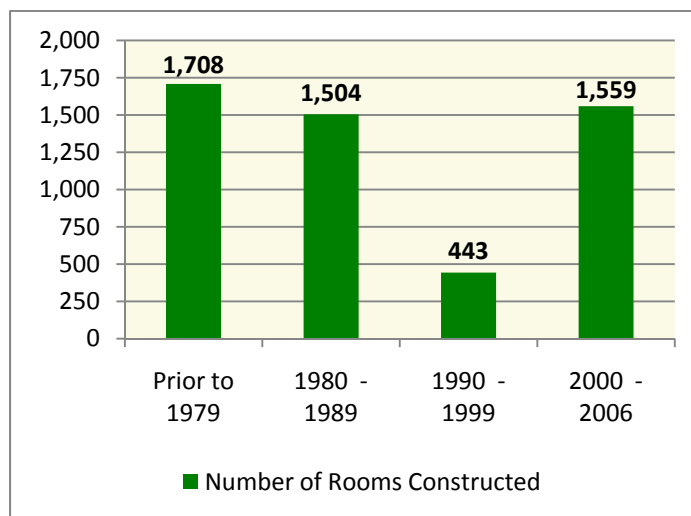
\*Data through 2Q 2009 Sources: Source Strategies, CDS | Spillette

- The region has continued to experience additional hotel development over the last five years, while the room count in Downtown has leveled off after rapidly increasing in the first part of the decade.
- In both the region and Downtown, average daily rates have leveled off since 2007 after several years of increases.
- The most significant factor affecting hotel performance at present is the effect of the economic slowdown since 2007, particularly on business travel. The impact shows up in occupancy figures, which had plunged below 65% (considered the lower end of a healthy market) by 2009 for the region. Downtown has not suffered nearly as much, though average occupancy did decline below 70% in 2008; as of mid-year 2009 it appeared to be rebounding, unlike the regional average.
- Relative stability in average daily rates has helped maintain RevPAR, a measure of general hotel performance, from dropping too dramatically at either the regional or Downtown level.

## Downtown Hotel Market Specifics

Downtown has hotel properties constructed across a range of eras, as illustrated by the following chart. It should be noted that this inventory includes properties on the immediate southern shore of Lady Bird Lake, north of Riverside Drive.

### Downtown Austin Historical Hotel Construction Summary



Sources: Source Strategies, CDS | Spillette

- A total of 1,559 rooms, or approximately 30% of the current room stock, is in properties built since 2000, and no new rooms have been added within Downtown since 2006.

The next table provides hotel room revenues as recorded by the State of Texas to track hotel occupancy tax collections. The data covers the period since the last new rooms were built in Downtown.

### Hotel Revenue Trends

Area	2006	2007	2008	YTD Q2 2009	Ann. Growth Rate 2006-08
Downtown	\$198,555,077	\$227,889,509	\$236,165,054	\$111,883,134	9.1%
Travis County	\$525,751,390	\$580,964,004	\$601,813,490	\$274,366,827	7.0%
Downtown Share	37.8%	39.2%	39.2%	40.8%	

Source: State of Texas, Office of the Comptroller; CDS | Spillette

- Downtown's hotel revenues grew at a faster pace than Travis County overall since 2006, despite other additions to supply outside Downtown during this period.
- Downtown increased its share of Travis County's room revenues during this period also.
- Data for 2009 indicate a decline in revenues from 2008; as noted earlier, occupancies have dropped so far this year. The Austin Convention and Visitors Bureau (CVB) reports a 35% decline in room nights for Fiscal Year 2009.

The following table summarizes current and proposed Downtown hotel inventory.

### Downtown Austin Hotels

Name	Address	Year Built	No. of Rooms
Driskill Hotel	604 Brazos	1886	188
Inter-Continental, Stephen F. Austin	700 Congress	1924	189
La Quinta Inn at the Capitol	300 E. 11th	1965	150
Radisson Hotel on Town Lake	111 E. Cesar Chavez	1968	413
Hyatt Regency - Austin	208 Barton Springs (78704)	1972	448
Holiday Inn - Town Lake	20 N. IH-35	1973/84	320
Super 8 - Central	1201 N. IH-35 (78702)	1984	60
Hilton Garden Inn	500 N. IH-35 (formerly Crowne Plaza)	1985	254
Omni Hotel - Austin	700 San Jacinto	1985	375
Embassy Suites Hotel - Town Lake	300 S. Congress (78704)	1986	261
Sheraton Austin Hotel <sup>3</sup>	701 E. 11 <sup>th</sup> (formerly Marriott)	1986	365
Doubletree Guest Suites	303 W. 15th	1987	189
Four Seasons Hotel	98 San Jacinto	1994	291
Club Hotel/Doubletree	1617 N. IL-35 (78702)	1997	152
Extended Stay America	601 Guadalupe	2002	101
Hampton Inn & Suites	200 San Jacinto	2002	209
Hilton Convention Center Hotel	555 E. 5th Street	2003	800
Residence Inn/Courtyard by Marriott	300 E. 4th	2006	449
<b>Total/Median</b>		<b>1986</b>	<b>5,214</b>
<b><i>Under Construction and Proposed</i></b>			
W Hotel - Block 21	200 Lavaca St.	2010	250
Hotel Van Zandt	602 Davis St.		290
21c – Museum Hotel	Red River and Cesar Chavez		200-250
Nahua	River St. and Rainey St.		60-80
Marriott Convention Center	NW Corner of Brazos St. / E 2nd St.		1,000
Westin Hotel	NE Corner of Colorado St. / W 3rd St.		303
“Eco-Hotel” / Woodbine	5 <sup>th</sup> St. and Colorado		250
Green Water Treatment Plant Redev.	NW Corner of Cesar Chavez St. / San Antonio St.		375
5th and Brazos	NE Corner of 5 <sup>th</sup> St. and Brazos		300
Block 52 / Novare	5 <sup>th</sup> and Guadalupe		150
Hyatt Place	3 <sup>rd</sup> and San Jacinto		276
Seaholm Power Plant Redev.	Cesar Chavez St. to 3rd St. / W of Shoal Creek		N/A
<b>Total</b>			<b>3,454+</b>

Sources: Source Strategies, CDS | Spillette

- Downtown currently has a stock of 5,214 rooms, including some properties on the south shore of Lady Bird Lake. This total includes seven limited service, “club” or budget properties with 1,375 rooms; the remainder of the properties are full-service hotels.
- The Waller Creek TIRZ currently contains two hotel properties: the Sheraton and the Hilton Garden Inn.
- The Convention Center borders the TIRZ and several hotels are located in close proximity. These include the Four Seasons, Hilton, Courtyard by Marriott, Residence Inn, and Hampton Inn. Almost all of Downtown’s existing room stock is east of Congress.
- One property, the W Hotel, is under construction and will be the first full-service, first-class property in Downtown’s southwest quadrant when it opens in 2010. At least ten other projects have been proposed. Including the W, more than 3,400 additional rooms have been identified as potential future supply. It is notable that the proposed hotels are spread across the southern half of Downtown, from the Seaholm Power Plant Redevelopment just east of Lamar to the three hotels along Waller Creek described below.
- The TIRZ’s Rainey Street area contains the sites for three currently proposed hotels.
  - The Hotel Van Zandt, with 17 stories and 327 rooms, would be located in the Rainey Street area adjacent to The Shore condominiums. It would be affiliated with the Kimpton brand, known for its upscale boutique orientation. Its amenities and features will include a three-meal restaurant and approximately 12,000 square-feet of meeting space. The total project cost is anticipated to be \$92 million including land, with hard construction costs of \$55 million. It will be positioned as an upscale boutique property that would have rack rates estimated at \$225 in the context of today’s market. The project has all pre-permit entitlements, designs are ready, and the developer, JMI Realty, owns the land. However, they are awaiting financing opportunities and project that development will start in two to three years.
  - The 21c project would be an art-themed hotel with 200 to 250 rooms on a large site at Cesar Chavez and Red River, overlooking Waller Creek. The site would also contain an art museum, an apartment tower, and a third development that has not yet been determined. The developer, Poe Companies, has created a similar project in Louisville, Kentucky, which has been very well received within the travel industry. That project is a high-end boutique hotel with rack rates well over \$200 per night, and Poe reports that the Waller Creek property would also target the upper end of the market. The hotel will also contain a 4,000 to 5,000 square foot ballroom and a small amount of retail space, plus a high quality restaurant.
  - The Nahua would be a mixed-use tower at the Mexican American Cultural Center that would include a 60 to 80 room “Mexican boutique” hotel. Due to the economic downturn and lack of financing availability, the developer, Esperanza Development, has put the project on hold for now.
- The presence of the Convention Center makes the group meetings market a major factor for hotels on the east side of Downtown. The 800-room Hilton, the main Convention Center hotel, relies on group meetings for 70% of its room nights. The Marriott Courtyard and Residence Inn are also essential in supporting Convention Center activity.

- Although the convention and meetings market has declined since the onset of the recession, the larger picture is that further growth in the Convention Center's business is constrained by hotel supply due to a maximum available room block of 1,500 that is allocated across numerous properties and brands. The Convention Center and ACVB desire another large headquarters hotel of at least equal size to the Hilton. One such hotel, a Marriott at 2<sup>nd</sup> and Brazos with 1,000 rooms, has been proposed but is currently on hold. The ACVB reports that 38% of lost business is due to hotel issues.

The following tables provide historical and future group meeting business, booked with the assistance of the CVB, involving the Convention Center and other meeting facilities.

### Historical and Projected Data for Convention Center Room Nights as of October 2009

Definite Room Nights and Attendance  
Convention Center

Year	Attendance	Room Nights	Groups
2018	6,000	5,290	1
2017	0	0	0
2016	0	0	0
2015	39,700	55,930	6
2014	36,100	47,984	7
2013	48,950	70,635	11
2012	73,400	108,523	17
2011	69,100	91,978	19
2010	97,800	155,759	35
2009	145,491	161,385	58
2008	232,330	164,684	62
2007	185,325	144,570	56
2006	225,090	161,776	61
2005	183,140	149,253	56
2004	241,750	190,220	51
2003	144,800	147,648	47
2002	204,400	91,989	41
2001	121,200	107,131	38
2000	268,250	141,788	51
1999	237,905	96,787	45
1998	232,250	110,605	41
1997	67,350	72,906	34
1996	33,621	31,520	16

Definite Room Nights and Attendance  
All Business (A, B, and C)

Year	Attendance	Room Nights	Groups
2018	6,000	5,290	1
2017	0	0	0
2016	0	0	0
2015	39,700	55,930	6
2014	37,600	49,934	8
2013	53,470	77,677	16
2012	84,870	130,763	31
2011	89,795	126,158	51
2010	154,103	249,481	168
2009	323,625	335,075	433
2008	370,370	347,352	454
2007	356,016	319,995	499
2006	428,432	346,089	457
2005	528,225	351,732	557
2004	638,078	386,768	465
2003	579,598	283,240	441
2002	591,649	219,491	455
2001	429,567	219,291	405
2000	413,268	226,356	363
1999	330,601	161,990	289
1998	334,625	187,828	245
1997	124,939	127,135	176
1996	45,803	63,303	89

Tables continued on next page

Tentative Room Nights and Attendance  
Convention Center

Year	Attendance	Room Nights	# of Events
2016	38,810	61,436	10
2015	35,135	68,507	11
2014	60,035	95,530	16
2013	77,950	84,340	23
2012	61,900	69,836	23
2011	55,600	76,645	25
2010	14,500	27,162	14
2009	500	3520	2

Tentative Room Nights and Attendance  
All Business (A, B, and C)

Year	Attendance	Room Nights	# of Events
2016	38,810	61,436	10
2015	36,385	71,547	13
2014	63,885	103,908	21
2013	91,871	113,818	42
2012	81,810	110,663	62
2011	128,885	144,015	89
2010	92,819	78,621	121
2009	30,848	25,436	31

- A. Citywide convention center (or for another city facility) business generated.  
 B. Business generated that books peak room nights over 100 rooms and uses one or more hotels or motels.  
 This category does not use the Convention Center facilities.  
 C. Any business generated by the Austin Convention and Visitors Bureau that book less than 99 rooms.

Source: Austin Convention Center and Visitors Bureau

- The Convention Center usage and room nights (left hand table) peaked in 2008. Future room nights that are definitely booked decline through 2011 then improve in 2012. However, tentative bookings for 2011 through 2014 are reasonably strong; a high conversion rate would imply that room nights may resume to be near 2008 levels by 2012.
- A more general accounting of room nights (right hand table) indicates a similar trend; definite room nights booked shows potential recovery by 2012.
- The ACVB, Convention Center, and Hilton staff reported to CDS | Spillette that most corporate meetings in Austin do not utilize the ACVB but still require a meetings-oriented hotel property.
- These organizations also emphasized that, in addition to the need for another large headquarters hotel, an additional high-end boutique hotel of about 250 rooms is needed for meeting attendees who desire a more upscale and unique hotel experience. These types of properties also typically do well with leisure weekend business, so that their overall market mix is less dependent on meetings.

## Other Observations and Implications for the Waller Creek TIRZ

- Several proposed hotels have full entitlements and could be ready for building permits if the financing climate changes for the better. These include:
  - Westin Hotel (Colorado at 3<sup>rd</sup> St.), 303 rooms
  - Hotel Van Zandt (Davis St. at Red River), 327 rooms
  - 21c (Cesar Chavez at Red River), 209 rooms



- While the music clubs are the primary driver of Austin’s tourism reputation, proximity to upscale dining, shopping, and entertainment such as Warehouse District establishments is also very important in tourism appeal, especially for higher-paying hotel guests.
- For conventions and meeting groups, proximity to the meeting location is most important.
- If the Marriott project moves forward at some future time, it will delay or eliminate the need for another convention hotel in the Waller Creek TIRZ.
- Only one known project, a Hyatt Place by Poe Properties (same developer as the 21c project) at 3<sup>rd</sup> Street and San Jacinto, is proposed as a limited-service hotel.
- All other proposed hotel developments that have been well-defined are targeting upscale clientele, either business or leisure travelers. These establishments may also be able to siphon some demand from conventions and meeting groups.
- Inspired perhaps by the quality of its residential development, the Rainey Street area, with its relatively green and serene setting, is looked upon as a potential location for upscale hotel development. Its credibility is enhanced by its proximity to the Four Seasons, one of Austin’s most upscale hotels.
- The mid and northern Waller Creek area, in its present form, contains little draw for hotel guests compared to the rest of Downtown, except for those specifically into the bar and entertainment establishments. The typically young crowd is not likely one that is a driver of upscale hotel demand in terms of their ability to pay room rates comparable to those paid by business travelers. More moderately priced limited-service hotels may be a better fit in this area.
- The Waller Creek Master Plan could affect the appeal of the mid and northern portions of the TIRZ for upscale hotel development, both business and leisure travelers, in the long run if:
  - The quality of public spaces and pathways is high;
  - Adequate security and management are provided (the impacts of nearby social service agencies must be counterbalanced);
  - Development guidelines are in place to assure an appealing urban environment that matches other Downtown locations and, within the TIRZ, the Rainey Street area.
  - A critical mass of upscale dining and entertainment is generated in the corridor that replaces or diverts attention from the existing establishments.

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## Retail Market Overview

Retail uses are high-profile landmarks in any commercial or mixed-use area, but they are among the most difficult to successfully generate. The Waller Creek TIRZ, for the most part a low-profile retail destination today, has to successfully compete against the rest of Downtown to garner new retail development.

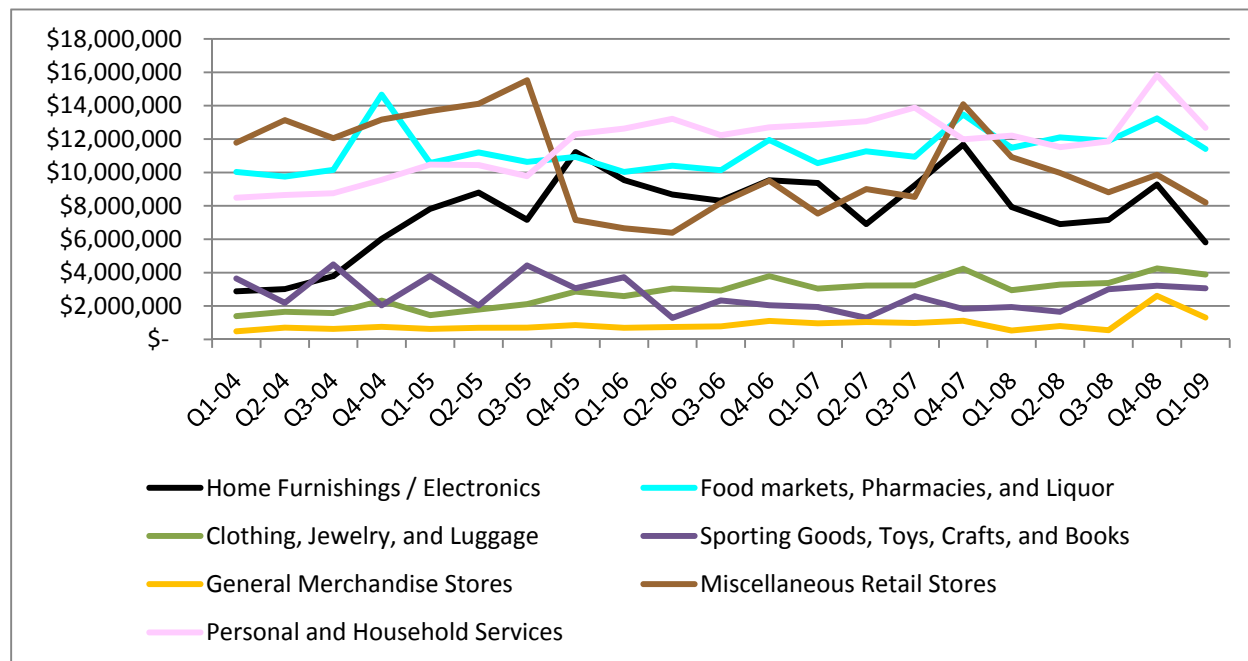
## Retail Sales Trends

The series of charts on the following two pages illustrate the trends in gross retail sales by category over the last few years in both Downtown and, for comparison purposes, in Travis County overall.

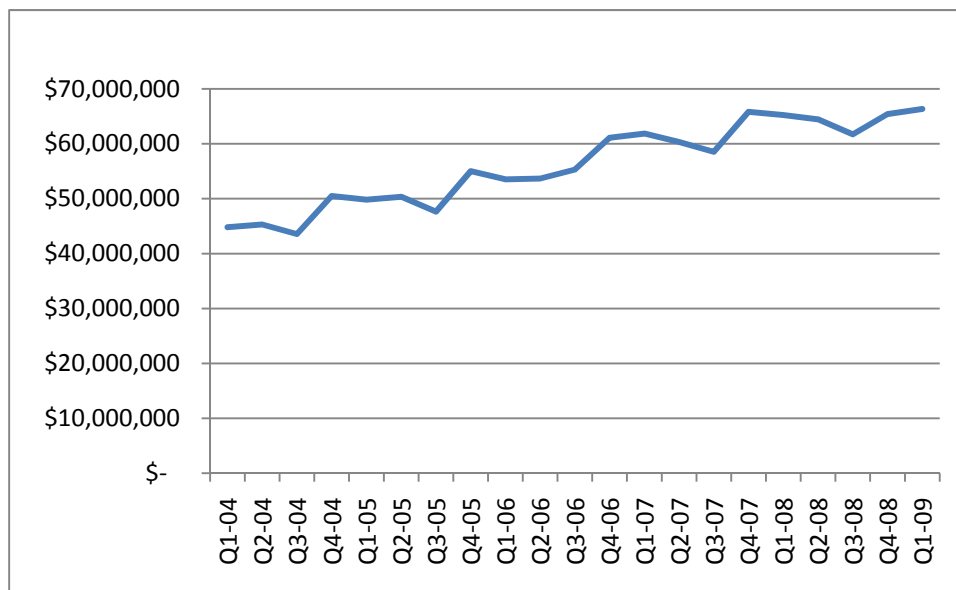
- In Downtown, by far the dominant category by sales volume is restaurants and bars. This category has also experienced the greatest increase in volume since 2004, rising from approximately \$45 million in the first quarter of 2004 to more than \$66 million in the first quarter of 2009.
- Some other categories experienced increases in volume, particularly in the middle of the decade. These include Personal Care and Household Services; Home Furnishings / Electronics; and Clothing, Jewelry, and Luggage. These increases are likely due in part to the opening of new specialty and neighborhood retail space in the Market District around the Whole Foods flagship store and the 2<sup>nd</sup> Street District near City Hall.
- Food markets, Pharmacies, and Liquor rose also, although not dramatically. Much of its volume is likely attributable to Whole Foods, the only Downtown supermarket.
- Two categories, Sporting Goods, Toys, Crafts, and Books, and Miscellaneous Retail Stores, did not show increases; the former actually declined.
- In comparing to county-wide sales volume, Downtown has outperformed in the Clothing, Jewelry, and Luggage category over the period as county-level volume has remained stagnant while Downtown's volume has gradually increased.
- General Merchandise, which includes both department stores and discount stores such as Walmart and Target, comprises a much larger portion of sales volume at the county level than in Downtown.
- The Home Furnishings / Electronics category has shown similar downturns in both Downtown and county-wide since 2007.
- Downtown's share of Travis County's total Restaurant and Bar sales volume increased from 11.1% in the first quarter of 2004 to 12.5% by first quarter of 2009.

## Downtown Retail Sales Trends

ZIP 78701, 2004 – 2009



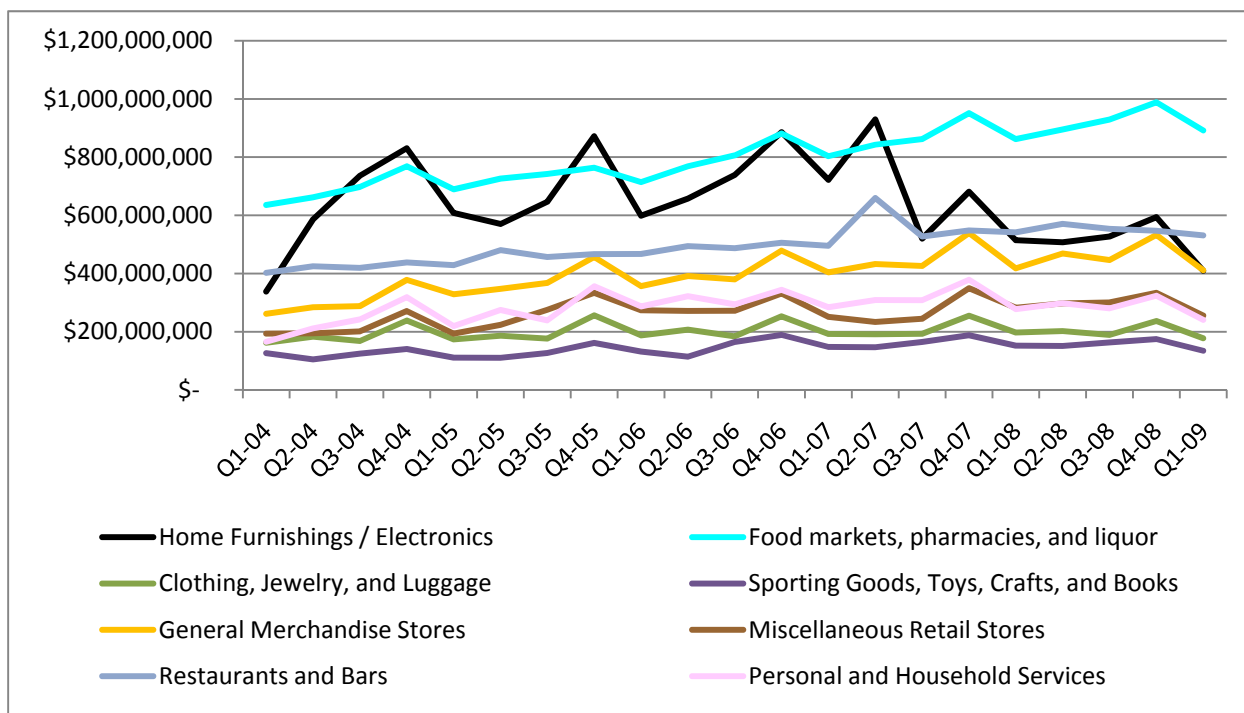
## Downtown Restaurants and Bars



Source: State of Texas, Office of the Comptroller.

### Travis County Retail Sales Trends

2004 – 2009



Source: State of Texas, Office of the Comptroller.

### Downtown Retail Supply and Performance

Downtown retail inventory is difficult to measure compared to suburban areas because, instead of space being located within retail-specific properties such as strip centers and malls, much of it is scattered in the first floors of mixed-use buildings or in older properties converted from other uses. Apart from the Market District and 2<sup>nd</sup> Street District developments, retail spaces are generally not under coordinated management and leasing across multiple buildings.

- Retail uses, including restaurants, in the first-floor spaces of multistory buildings are located throughout Downtown. The greatest and most visible concentrations of such uses are along Congress Avenue and the recently constructed 2<sup>nd</sup> Street District. The Downtown Austin Alliance (DAA) estimates that there is about 2.75 million square feet of retail space on first floors of buildings within Downtown.
- The Market District, which includes Whole Foods and several other properties both east and west of Lamar Avenue, is the only large scale development in Downtown that is primarily retail and has large tenants focusing on comparison goods such as clothing, books, and office supplies. The DAA's estimates indicate that just 11% of first floor retail space is devoted to comparison goods. Food service and bars / clubs make up 32% of the uses. Other uses frequently found in

retail spaces include private office (17%), banks (6%), and services (8%). An estimated 14% of first floor retail space is vacant.

- CDS | Spillette does not have an accurate total of retail and restaurant space that currently exists in the Waller Creek TIRZ zone specifically. The vast majority of the space is occupied by restaurant and entertainment users. Many are in single-use, 1-2 story buildings. Two identifiable districts are the East 6<sup>th</sup> Street entertainment district, consisting largely of bars catering to college-age patrons, and the Red River District, which contains several of the City's most well-known music venues as well as bars, also mostly catering to a young crowd. This area is notable for generating loud noise on certain nights due to amplified music and patrons on the street.
- Other retail establishments, mostly eating places such as Ironworks and Moonshine, are scattered throughout the TIRZ north of Cesar Chavez.
- A new development in the Rainey Street area is the conversion of old single family homes to bars and nightclubs. Two such conversions have been done so far at reportedly at least two more may be planned.
- Elsewhere outside the TIRZ, new retail space has recently opened in the following locations:
  - The ground floor in AMLI on 2<sup>nd</sup> (41,000 square feet, part of the 2<sup>nd</sup> Street District).
  - The ground floors of the 360 and Spring condominiums.
  - Just outside Downtown proper at 1011 W. 5<sup>th</sup>, the southwest corner of Lamar and 5<sup>th</sup> Street (35,500 square feet, anchored by West Elm).

The table on the next page summarizes the potential additions to retail supply known at this time.

- Except for the Stubb's expansion, all announced future retail projects are part of larger mixed-use developments, usually vertically integrated with retail on the ground floor. The projected square footage indicated for the Green Water Treatment Plant, however, indicates that the developers may be envisioning a larger retail focus in the project.
- All space under construction, totaling up to 66,500 square feet, is located in Downtown's southwest quadrant.
- The Waller Creek TIRZ includes, beside Stubb's, two projects that would add retail space: the 21c art-oriented mixed-use development and the Nahua tower at the MACC. The 21c would have an upscale, destination restaurant as its bottom floor anchor, with complementary retail on the second floor; the space would front on Cesar Chavez. The Nahua's space could be used as either retail or office.
- The southwest quadrant continues to be the preferred location for proposed retail space, though Brazos Street has two potential projects that could add retail supply also.

## Future Additions to Downtown Retail Supply

Project	Location	Completion	Square Footage	Anchors/Other
<b>Under Construction</b>				
The Austonian	NWC 2 <sup>nd</sup> and Congress	2010	Up to 20,000	Ground floor of condo tower
Gables Park Plaza	2006	2010	11,500	Ground floor of apartment development
Block 21 / W Hotel	2 <sup>nd</sup> /Guadalupe / Lavaca	2011	35,000	Extends 2 <sup>nd</sup> Street District; space may flex to office
<b>Proposed</b>				
Market District East Block	Bowie / 5 <sup>th</sup> St. / 6 <sup>th</sup> St.	NA		Office buildings with ground floor retail
501 Brazos	NEC 5 <sup>th</sup> and Brazos	NA	8,500	Bottom floor of 1,200 space parking structure
Marriott Hotel	NWC 2 <sup>nd</sup> and Brazos	NA	NA	Up to 50,000 square feet of retail and meeting space
Stubb's expansion	9 <sup>th</sup> and Red River	NA	NA	New 1,500 seat nightclub, amphitheater capacity expansion of 1,300, expansion of restaurant
Nahua	River St. and Rainey St.	NA	28,000	Mixed use tower; includes flex office / retail space
21c	Cesar Chavez and Red River	NA	25,000	Bottom two floors of mixed-use development with hotel and apartments
Shoal Creek offices	6 <sup>th</sup> St. and West Ave.	NA	8,400	Retail space in office buildings
Seaholm Power Plant	W. Cesar Chavez / 3 <sup>rd</sup> St.	NA	NA	7.8 acre Power Plant to be redeveloped into mixed-use project
Green Water Treatment Plant	Cesar Chavez and San Antonio	NA	160,000	Mixed-use redevelopment of water plant
Starr Building	6 <sup>th</sup> St. and Colorado	NA	NA	32 story high rise with 225 luxury hotel, 125 condos, entertainment / civic
Ovation	5 <sup>th</sup> St. / San Antonio / Nueces	NA	20,000	Ground floor of condo tower
Novare Block 52	5 <sup>th</sup> St. / Guadalupe / San Antonio	NA	NA	Ground floor of condo / hotel tower
Gables Republic Park	4 <sup>th</sup> St. and Guadalupe	NA	NA	Ground floor of apartment tower
Energy Control Center	3 <sup>rd</sup> St and West Ave.	NA	15,000	First floor of condo towers

Source: Emerging Projects, October 2009, CDS | Spillette

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## Other Observations and Implications for the Waller Creek TIRZ

Retail dynamics in Downtown Austin are unique in the metropolitan market. Not only are the physical spaces and parking unlike typical suburban strip centers and malls, they tend to be located within areas defined at a finer-grained scale. The establishments also cater to a wider mix of customers, from daytime employees to tourists to suburban residents on Downtown excursions to the growing number of neighborhood residents. Specific observations of these dynamics and opinions on the potential for retail growth within the Waller Creek TIRZ are presented here.

- The concentrated clustering of restaurants in Downtown, while helping to create a dining and entertainment destination that appeals to a wide market, raises questions that Downtown may be nearing its limit of dining uses. To increase Downtown's market share of dining spending in the City, new restaurants must be either destination quality or supportable solely on the basis of immediately nearby residential population.
- Downtown Austin retail is distinctive due to relative lack of national chain store dominance. Attempts to tenant new space with unique or one-in-a-market retailers is risky, however. The 2<sup>nd</sup> Street District has had considerable tenant turnover even as the immediately surrounding population has grown. New retail space in mixed-use projects generally must charge high rent to cover development costs. This is a potential barrier to desired tenants, especially local independent businesses. Property owners may have to reduce rents, in effect subsidizing tenants, in order to obtain desired occupancy levels and tenant profile until Downtown is more firmly established as a major retail destination.
- The Downtown Austin Alliance has undertaken a retail initiative over the last several years. Their principal geographic areas of focus are Congress Avenue and East 6<sup>th</sup> Street, which crosses the Waller Creek TIRZ. Congress Avenue is likely a corridor which can attract comparison goods establishments and is starting to have success in this regard.
- E. 6<sup>th</sup> has strong historical ambience and is a major gateway into Downtown, but its orientation toward low-priced bars and nightclubs has discouraged other retail from locating there. The properties here could present a unique opportunity, however, because they have long time ownership and low bases that can allow for lower rents than in other Downtown locations, should the property owners choose to change from entertainment uses.
- Retail experts question whether that the Waller Creek TIRZ can support much additional retail development in the near future, particularly non-entertainment uses. The presence of social service agencies discourages retail generally in central segments of the corridor. There is a lack of daytime population to drive the same level of convenience-oriented dining and shopping such as exists in the Downtown core. The Convention Center has a significant impact only for attendees who are free in the evenings, particularly those staying at hotels within or close to the TIRZ.
- Increasing the residential population within the TIRZ will help generate support for retail, but it will take concentrated development of hundreds more units to allow self-sustaining neighborhood-level shops and services. During the interim, retail development is anticipated to continue the existing focus on restaurants and entertainment.
- The Waller Creek Master Plan could have a directly beneficial effect if it creates sufficiently attractive and well used public spaces that can serve as an anchor of activity. Such an effect

might be achieved if the greenway is heavily traveled as a connector across the east side of Downtown. While travelers might not stop to patronize establishments in route, they will at least have an opportunity to gain awareness of what establishments are there and visit them at another time.

- Compared to the “Creekside” design scenario that was previously envisioned for Waller Creek, the current Master Plan design is not expected to generate as much direct retail investment, because it would not create a concentrated destination attraction. However, the Master Plan’s potential for inducing more housing development will help create more resident-based demand within the TIRZ and bring the added benefit of more stable property tax revenues.



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## TIRZ Market Demand and Development Projections

CDS | Spillette has synthesized the findings from the previous sections and developed projections of supportable absorption for the Waller Creek TIRZ.

### Overall Downtown Absorption

#### Residential

Guidance for projections of supportable absorption of residential units came from two principal sources: (1) most importantly, the market performance of recently built residential projects in Downtown; (2) a “reality check” of the share of Austin’s population growth.

- Using information from the earlier Multifamily Rental market overview section – the unit count and occupancy of each recently built property – it is estimated that from 2001 to 2009, the Downtown residential market absorbed 1,433 apartment units. This averages to 159 units annually. However, the market has absorbed an estimated 864 units in properties opened just since 2008, while occupancies at properties built earlier in the decade remain well above 90%. This absorption has also occurred despite the current economic downturn. This suggests a higher average absorption than had been occurring earlier in the decade, likely due to the increasing overall appeal of Downtown as a vibrant mixed-use neighborhood.
- Therefore CDS | Spillette projects 200 to 250 multifamily rental units absorbed annually throughout Downtown, for a total of 3,925 units added by 2027.
- As with apartments, condominium sales have been very strong in Downtown since 2000, especially in the latter half of the decade. The average number of new units sold per year over the ten year period was 147. However, from 2007 to July 2009, 1,152 new units have sold, for an annual average of 384 per year.
- In projecting absorption, it is important to acknowledge the somewhat bifurcated market in Downtown. Condominiums that are relatively moderately priced (\$300,000 to \$500,000) have been absorbed very strongly, and new units are currently in limited supply. CDS | Spillette projects supportable absorption of 100 to 200 moderately-priced units annually, resulting in 2,575 units through 2027.
- Luxury condominium product priced in the \$500,000 and up range has a much more limited market of eligible buyers, equating to slower absorption, and at present there is an excess of supply of new units in this price range. This supply should be worked off over the next two years. In acknowledging this current situation, CDS | Spillette does not project supportable absorption of new luxury condominiums starting until 2012. Demand will thereafter support 100 units annually, gradually decreasing to 60 units annually in later years as increasing numbers of resales compete for the limited buyer pool. The total projected additional luxury units through 2027 are 1,220.
- As a check, CDS | Spillette compared the growth in population in Downtown since 2000 with the City of Austin demographer’s estimates of total citywide population. The current Downtown population, as estimated by the Downtown Austin Alliance, is approximately 8,000 in 2009, up

from an estimate of 2,334 in 2000 (*source*: Claritas). This growth represents approximately 4.8% of the City's total growth during this period.

- If the projected supportable new residential units Downtown are estimated to house 1.5 residents per unit on average, the projected population growth in Downtown will be approximately 10,000 people (see retail analysis later in this section for calculation of projected population). The City's projected population growth through 2025 (no projection for 2027 was available) totals approximately 268,000. Downtown's growth would thus be approximately 3.7% of the City's growth. Compared to the 4.8% share of recent years, this share of growth, and the projected absorption residential units, appears conservative. The high growth share of the past few years was likely due in part to pent-up demand for living Downtown and / or in a dense, vibrant urban neighborhood; since this has been at least partly satisfied, the growth share will likely decrease slightly.

## Office

Downtown has only recently begun to assert itself as one of the region's more competitive office locations after decades of being obscured by suburban developments. Metropolitan growth and Downtown's improving image are significant factors in projecting future demand for office space in Downtown.

- Historical office absorption has varied widely with Austin's economy; regional annual absorption has exceeded 1 million square feet in both positive and negative directions over the last decade. The Downtown market's absorption has also cycled, though its best positive years have been of lower magnitude than its poorly performing years of the early 2000s. This makes forecasting absorption problematic. However, it is useful to note that Downtown's best years of absorption averaged roughly 150,000 square feet per year.
- Downtown's office market will benefit from overall growth of the City and region as more businesses expand in industry sectors that typically favor Downtown office locations, including finance, legal services, and business services.
- Downtown is currently outperforming the regional office market during the economic downturn. Its growing vibrancy as a mixed-use urban district may be part of its office market appeal. The start of commuter rail service is likely to enhance its competitive position over time.
- Austin is well positioned to emerge from the downturn within the next 12 to 18 months with relatively strong job growth.
- CDS | Spillette is of the opinion that Downtown will become increasingly popular as an office location. It is projected that Downtown will support absorption of 250,000 to 300,000 square feet per year after economic recovery has fully kicked in by 2012.

## Hotel

After experiencing a large increase in supply mid-decade, Downtown has absorbed the additional rooms successfully. It has been outperforming the market for several years and has not suffered nearly as much as the overall region in the current recession. Despite healthy occupancies and strong rates, no new hotels have opened in Downtown since 2006.

- The Convention Center and Austin Convention and Visitors Bureau state that a second convention headquarters hotel is needed Downtown. A 1,000-room Marriott that would address this need is proposed. CDS | Spillette considered the potential for additional hotel rooms independent of whether this project goes forward. By helping to attract conventions that currently bypass Austin because of limited and dispersed room blocks, this project would increase demand to counterbalance the increase in supply.
- Although Downtown is holding up relatively well given the national decline in business travel, CDS | Spillette is not projecting sufficient demand to support additional rooms until 2012 after economic recovery is well underway. This is particularly true given that the W Hotel will be open by 2011 with 250 new rooms.
- Although most of the known proposed hotels are oriented to the upscale full-service market, CDS | Spillette believes that new limited-service properties would be well-received in the market from 2012 onward. They are especially suitable for sites that are not in the heart of upscale dining and entertainment; more budget-conscious travelers will still seek moderately-priced rooms Downtown even if major amenities require a taxi or pedicab ride. Supportable absorption is projected to total 100 rooms annually from 2012 to 2015, tapering off over time.
- Austin has been raising its profile as a leisure tourism destination. A portion of convention attendees also are looking for alternatives to standard chain hotels. These factors, plus the recovery in business travel by 2012, combine to foster demand for new full-service hotel properties. CDS | Spillette projects 75 supportable new full-service rooms annually after 2012, also decreasing over time.

## Retail

Retail growth in Downtown will be driven by Downtown resident population growth, daytime population growth, secondary market area population growth, and increased tourist spending. To address demand from residential population growth, CDS | Spillette projected resident population and spending, resulting in supportable retail space, as presented in the following tables.

### Projected Downtown Resident Population

Estimate		Comments / Source
Existing population	8,000	DAA estimate
<b>POPULATION IN APARTMENTS</b>		
Future additions - apartments	3,925	CDS   Spillette estimate
Occupancy rate	90%	Conservative estimate based on market data
Total additional occupied apartment units	3,533	
Projected persons / unit	1.50	
Additional population - apartments	5,299	
<b>POPULATION IN CONDOMINIUMS</b>		
Future additions – condominiums	4,145	CDS   Spillette estimate
Occupancy rate	75%	Adjusted to account for vacant units and second-home units
Total additional occupied condominium units	3,109	
Projected persons / unit	1.50	
Additional population - condominiums	4,663	
<b>TOTAL POPULATION 2015</b>		
<b>Total additional residents</b>	9,962	
<b>Total 2015 population</b>	17,962	

Source: CDS | Spillette

## Projected Downtown Resident Retail Demand

Retail Category	Travis Co. Per Capita Spending	Total Spending	Total 2015 Population		Incremental 2009 - 2015 Population Only	
			Required Sales per Sq.Ft.	Supportable Space (Sq.Ft.)	Total Spending	Supportable Space (Sq.Ft.)
Home Furnishings / Electronics	\$2,041	\$36,652,026	\$450	81,449	\$20,327,661	45,173
Food markets, pharmacies, and liquor	\$3,710	\$66,636,921	\$500	133,274	\$36,957,649	73,915
Clothing, Jewelry, and Luggage	\$806	\$14,485,226	\$450	32,189	\$8,033,683	17,853
Sporting Goods, Toys, Crafts, and Books	\$624	\$11,216,196	\$400	28,040	\$6,220,639	15,552
General Merchandise Stores	\$1,862	\$33,441,815	\$400	83,605	\$18,547,238	46,368
Miscellaneous Retail Stores	\$ 1,189	\$21,350,847	\$400	53,377	\$11,841,440	29,604
Restaurants and Bars	\$2,205	\$39,612,731	\$400	99,032	\$21,969,704	54,924
Personal and Household Services	\$1,144	\$20,550,270	\$400	51,376	\$11,397,430	28,494
			Total	562,342		311,882

Sources: State of Texas, Office of the Comptroller; Urban Land Institute, *Dollars & Cents of Shopping Centers / The Score 2008*; CDS | Spillette

- The total Downtown residential population in 2015 is projected to support over 560,000 square feet of retail space. Of this total, about 412,000 square feet would be in categories considered “comparison” or “convenience” goods.
- Considering the anticipated increase in residential population from 2009 to 2015 only, this population increment is projected to support approximately 312,000 square feet of retail space, 228,000 square feet of which would be considered “comparison” or “convenience” goods.
- The total amount of first-floor retail space in Downtown today, estimated at 2.75 million square feet, is far more than the existing or future residential populations would support on their own. Market demand for the remainder of the retail space comes from the other sources previously noted.
- Based on the performance and absorption of existing space Downtown, plus the anticipated increase in all sources of demand, CDS | Spillette projects supportable annual absorption of retail space at 20,000 square feet over the next two years, rising to 25,000 square feet from 2012 to 2015 and 35,000 square feet thereafter.

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## Waller Creek TIRZ Market Capture

The quantities of supportable absorption within the Waller Creek TIRZ presented in the tables at the end of this section represent projected shares of total Downtown absorption. CDS | Spillette evaluated a variety of factors in projecting these capture rates for each use. The capture rates are the point at which the impacts of the different physical design scenarios were brought into consideration.

### Residential

- The TIRZ contains numerous sites to develop dense residential projects such as apartments. In particular, sites whose development potential is constrained by the Capitol View Corridor present opportunities for 4-story wood-frame apartment projects, such as the well-occupied Red River Flats, which offer more moderate rents than high-rise developments. Nevertheless, the southern end of the TIRZ is also becoming established as an upscale lakeshore enclave. While much attention will continue to be focused on Downtown's southwest quadrant, the TIRZ will still attract a healthy share of market demand in the Storm Drainage Only scenario, where the only public improvements are for flood control, and surface improvements to create amenities are made solely by individual private property owners.
- The Master Plan should be a significant benefit to the TIRZ's market share. By "greening" and amenitizing what it today a gritty hardscaped urban environment, plus improving bicycle and pedestrian access, the TIRZ will increase its appeal and market demand capture across residential product types. Furthermore, the Master Plan should enable properties to achieve higher rents or sale prices. The Creekside scenario, which creates primarily a tourism attraction limited to below-grade areas of the creek channel, would not likely have a similar impact.

### Office

- The current trend is for commercial development, including office, to focus in Downtown's southwest quadrant and the Congress Avenue corridor. All announced proposals for large-scale office development, such as Shoal Creek Walk, 501 Congress, and the Seaholm Power Plant and Green Water Treatment Plant redevelopments are in these areas. The TIRZ, disconnected and too far to easily walk from this increasing center of commercial dynamism, is in a less competitive position for office demand. In the Storm Drainage Only scenario with no improvements aside from flood control, CDS | Spillette projects it to capture a relatively minor share of total office absorption.
- The Master Plan will likely have a moderate impact for office demand as the general environment in the TIRZ is improved, making the area more competitive. The Creekside scenario would not be expected to significantly impact office demand capture.

### Hotel

- The TIRZ has available sites for new hotel development, proximity to the Convention Center, and existing hotel properties. Upscale full service hotels are proposed for the area south of Cesar Chavez. CDS | Spillette. Although the southwest quadrant of Downtown also is a focus of hotel development interest, the TIRZ should be competitive in capturing demand. The appeal of the Rainey Street area as an upscale lakeshore subdistrict will enable at least one of the proposed

upscale hotels in this area to go forward. Northern portions of the TIRZ will be appealing for limited service hotel development.

- The Master Plan should help the central and northern portions of the TIRZ capture more limited-service hotel activity after 2014-2015. The Creekside scenario, however, by creating a defined tourism attraction, would likely attract more development of both full service and limited service hotels.

## Retail

- Retail activity is becoming more and more concentrated in Downtown's southwest quadrant, including the Market District, 2<sup>nd</sup> Street District, and extending to Congress Avenue. Because retail is attracted to the proximity of other retail, this momentum will be difficult to alter in attracting retail to the TIRZ. Most residential and hotel projects in the southwest quadrant are also proposing street-level retail space; in the case of the Seaholm and Green Water Treatment redevelopments, the amount may be relatively large. In the Storm Drainage Only scenario where the public sector implements flood control measures only, CDS | Spillette is projecting demand capture in the TIRZ to be quite limited, mostly additions to the existing stock of dining and entertainment plus a small amount of incidental convenience retail and services for the growing residential population.
- The Master Plan should have a small effect on retail demand capture primarily through its positive effect on residential development and general improvement in the area to make the environment more appealing. Its impact on retail demand would be less than the Creekside scenario, which would create a defined tourism-oriented attraction that would also draw regional residents provided that the quality of the dining and entertainment was high.

A summary of the projected supportable absorption within the TIRZ through 2027 is presented in the table below; the Master Plan scenario is given, followed by the differences in quantities for each use from the other two scenarios.

### Comparative Summary of Total Supportable Absorption, 2010 - 2027

Land Use	Measurement	Master Plan Supportable Absorption	Master Plan Increase (Decrease) vs:	
			Storm Drainage Only	Creekside
Apartments	Dwelling Units	1,284	499	373
Condominiums - mid-priced	Dwelling Units	924	339	243
Condominiums - luxury	Dwelling Units	245	62	62
Office	Sq.Ft.	975,000	180,000	180,000
Hotel - limited service	Rooms	290	73	(145)
Hotel - full service	Rooms	318	-	(72)
Retail	Sq.Ft.	73,000	21,000	(105,000)

Source: CDS | Spillette

It is important to note that the quantities presented above do not represent actual quantities of new development. Vacancy rates and building efficiencies will lead to actual built area for each use.

## Projected Absorption Tables

Three tables provided at the end of this section summarize the projections, each representing a different physical scenario:

1. Storm Drainage Only
2. Master Plan
3. Creekside

Each table follows a methodology from top to bottom of each table:

1. The total supportable absorption for each land use in Downtown as a whole (bounded by 15<sup>th</sup> St., IH 35, Lady Bird Lake, and Lamar Avenue) is projected for four future periods of multiple years (top third of table);
2. The share of absorption that will be captured by the TIRZ for each land use is then estimated for each period (middle third of table); and
3. The resulting absorption within the TIRZ is calculated (bottom third of table).

The projections for Downtown-wide absorption (top of each table) are the same in all scenarios. The projected market capture for the TIRZ drives the differences between scenarios.

Projections for all three scenarios reflect a market demand approach, not a supply-driven approach. Absorption for each use is not designated for specific sites, although general areas within the TIRZ have been noted as more likely to attract certain types of uses. Furthermore, land use regulations are not applied as constraints on absorption. That certain types of more vertical uses (high rise condominiums for example) are likely to be attracted to locations where already allowed is a beneficial coincidence.



### Projected Supportable Absorption in Waller Creek TIRZ – Storm Drainage Only

TOTAL DOWNTOWN ABSORPTION		Supportable Absorption Per Year by Time Period			
Land Use	Unit of Measurement	2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments	Dwelling Units	200	250	225	200
Condominiums - mid-priced	Dwelling Units	100	200	175	150
Condominiums - luxury	Dwelling Units	-	100	80	60
Office	Sq.Ft.	-	250,000	300,000	300,000
Hotel - limited service	Rooms	-	100	75	50
Hotel - full service	Rooms	-	75	40	40
Retail	Sq.Ft.	20,000	25,000	35,000	35,000
TIRZ CAPTURE		Share of Total Downtown Absorption			
Land Use		2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments		20%	20%	20%	20%
Condominiums - mid-priced		20%	20%	20%	20%
Condominiums - luxury		0%	15%	15%	15%
Office		0%	15%	15%	20%
Hotel - limited service		0%	0%	30%	30%
Hotel - full service		0%	50%	35%	35%
Retail		0%	10%	10%	10%
TIRZ ABSORPTION		Supportable Absorption Per Year by Time Period			
Land Use	Unit of Measurement	2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments	Dwelling Units	40	50	45	40
Condominiums - mid-priced	Dwelling Units	20	40	35	30
Condominiums - luxury	Dwelling Units	-	15	12	9
Office	Sq.Ft.	-	37,500	45,000	60,000
Hotel - limited service	Rooms	-	-	23	15
Hotel - full service	Rooms	-	38	14	14
Retail	Sq.Ft.	-	2,500	3,500	3,500

Source: CDS | Spillette

## Projected Supportable Absorption in Waller Creek TIRZ – Master Plan

TOTAL DOWNTOWN ABSORPTION		Supportable Absorption Per Year by Time Period			
Land Use	Unit of Measurement	2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments	Dwelling Units	200	250	225	200
Condominiums - mid-priced	Dwelling Units	100	200	175	150
Condominiums - luxury	Dwelling Units	-	100	80	60
Office	Sq.Ft.	-	250,000	300,000	300,000
Hotel - limited service	Rooms	-	100	75	50
Hotel - full service	Rooms	-	75	40	40
Retail	Sq.Ft.	20,000	25,000	35,000	35,000
TIRZ CAPTURE		Share of Total Downtown Absorption			
Land Use		2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments		20%	25%	35%	40%
Condominiums - mid-priced		25%	25%	35%	35%
Condominiums - luxury		0%	15%	20%	25%
Office		0%	15%	20%	25%
Hotel - limited service		0%	0%	40%	40%
Hotel - full service		0%	50%	35%	35%
Retail		0%	10%	15%	15%
TIRZ ABSORPTION		Supportable Absorption Per Year by Time Period			
Land Use	Unit of Measurement	2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments	Dwelling Units	40	63	79	80
Condominiums - mid-priced	Dwelling Units	25	50	61	53
Condominiums - luxury	Dwelling Units	-	15	16	15
Office	Sq.Ft.	-	37,500	60,000	75,000
Hotel - limited service	Rooms	-	-	30	20
Hotel - full service	Rooms	-	38	14	14
Retail	Sq.Ft.	-	2,500	5,250	5,250

Source: CDS | Spillette

## Projected Supportable Absorption in Waller Creek TIRZ – Creekside

TOTAL DOWNTOWN ABSORPTION		Supportable Absorption Per Year by Time Period			
Land Use	Unit of Measurement	2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments	Dwelling Units	200	250	225	200
Condominiums - mid-priced	Dwelling Units	100	200	175	150
Condominiums - luxury	Dwelling Units	-	100	80	60
Office	Sq.Ft.	-	250,000	300,000	300,000
Hotel - limited service	Rooms	-	100	75	50
Hotel - full service	Rooms	-	75	40	40
Retail	Sq.Ft.	20,000	25,000	35,000	35,000
TIRZ CAPTURE		Share of Total Downtown Absorption			
Land Use		2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments		20%	20%	25%	25%
Condominiums - mid-priced		20%	20%	25%	25%
Condominiums - luxury		0%	15%	15%	15%
Office		0%	15%	15%	20%
Hotel - limited service		0%	0%	60%	60%
Hotel - full service		0%	50%	50%	50%
Retail		0%	10%	40%	40%
TIRZ ABSORPTION		Supportable Absorption Per Year by Time Period			
Land Use	Unit of Measurement	2010 - 2011	2012 - 2015	2016 - 2020	2021 - 2027
Apartments	Dwelling Units	40	50	56	50
Condominiums - mid-priced	Dwelling Units	20	40	44	38
Condominiums - luxury	Dwelling Units	-	15	12	9
Office	Sq.Ft.	-	37,500	45,000	60,000
Hotel - limited service	Rooms	-	-	45	30
Hotel - full service	Rooms	-	38	20	20
Retail	Sq.Ft.	-	2,500	14,000	14,000

Source: CDS | Spillette

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## Comparison to Previous Projections

The amounts of office and retail space in the current projections of supportable absorption within the TIRZ are substantially lower than in the 2004 and 2006 studies. Much has happened within Downtown and with the Austin economy that has led to this conclusion; the reasons are explained below.

The quantities of residential and hotel absorption are roughly similar to previous projections, especially in the Master Plan scenario.

### Office

- The present economic downturn was not foreseen. While current economic conditions, particularly the ability of developers to obtain financing for new projects, are not expected to linger in the long term, the implications through the short term are that there will be no new office development within the TIRZ compared to 2006 projections.
- Although Downtown has improved as an office market, it has not captured as much of regional office demand as previously projected through the second half of the decade – there have been no significant office buildings built in the core of Downtown since the Frost Bank Building. Overall Downtown absorption has been less than anticipated even prior to the recession. The 2006 study had projected demand for another large office building by 2008 or 2009.
- As with other uses, the southwest quadrant of Downtown has become even more dominant than previously anticipated. More large scale proposed office developments have emerged since 2006, all west of Brazos Street. At that time, the Seaholm and Green Water Treatment sites, plus the Shoal Creek Walk project, were not identified specifically as potentially containing large scale office buildings of possibly several hundred thousand square feet each. These proposed developments over time reduce the likelihood of the TIRZ competing for as large of a share of new office building demand.
- On the other hand, successful implementation of commuter rail service will enhance the TIRZ's competitiveness for office space, as portions of the zone are within walking distance of the Downtown station.

### Retail

- While the southwest quadrant of Downtown was emerging as a retail center in 2006, its dominance was underestimated. It is also by far the dominant area for attracting new residential development; retailers with one location to place Downtown will almost certainly choose this area.
- The numerous proposals for new dense residential in the southwest quadrant mostly contain ground floor retail space. In addition, the large Seaholm and Green Water Treatment sites will also contain retail uses, possibly in large quantities. Thus the southwest quadrant is poised to further enhance its dominance through aggressive capture of retail spending, probably diminishing the TIRZ's chances of increasing its capture rate.
- The current recession and the pull back in consumer spending has caused a reassessment of retail growth assumptions. Past trends that highlighted the aggressive opening of new locations by major retail chains are at least temporarily halted. The assumption that consumers will

spend as freely even once the economy resumes growth is now in question, particularly regarding the use of credit.

- The spotty success of comparison goods establishments even in the southwest quadrant (particularly along 2<sup>nd</sup> Street) will likely lead to less confidence among similar retailers that Downtown is a strong location; this is likely to slow absorption, particularly over the next several years.

Although office and retail projections for the zone have decreased since 2006, it should be noted that the TIRZ should benefit from the overall health of Downtown and its attractiveness for new development, particularly residential uses. The medium to long term outlook for Downtown, if anything, is brighter than in 2006. Downtown should be among the districts to most strongly lead Austin's economic recovery, and thus the TIRZ will likely experience healthy growth, on average, for the remainder of its life.

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# Waller Creek TIRZ

## Update of Value and Increment



Prepared for:  
City of Austin, Texas

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## Projected TIRZ Value and Increment

The *Waller Creek TIRZ Update of Market Demand and Absorption Projections* concluded with projections of market-supportable absorption for various land uses. To translate into projections of TIRZ assessed value increases, they must be first translated into a projected development program that accounts for the “lumpy” nature of value increases, as new downtown buildings typically accommodate multiple years of supportable absorption for their particular use.

The table to the right presents the assumptions used to convert the projected absorption into the development program. Each use was assumed to have a typical amount of absorbable space per structure. One exception is retail space, which is assumed to always be incorporated into structures of another predominant use.

The resulting development program is then presented on the following pages, one program for each of the three scenarios (base case, Master Plan, and Creekside). The development programs assume that developers will complete construction of each structure in the year prior to a sufficient level of additional supportable absorption. Retail construction is presented both as if it were stand-alone (“by demand”) and then modified to fit the timing of construction of other uses (“actual”).

**Development Program Assumptions**

Land Use	Unit of Measurement	Bldg. Size	Occupancy
Apartments	Dwelling Units	200	92%
Condominiums - mid-priced	Dwelling Units	150	93%
Condominiums - luxury	Dwelling Units	90	95%
Office	Leasable Sq.Ft.	300,000	88%
Hotel - limited service	Rooms	225	70%
Hotel - full service	Rooms	250	70%
Retail	Leasable Sq.Ft.	15,000	85%

Source: CDS | Spillette

## Waller Creek TIRZ Development Program – Base Case

Note: Does not reflect a master planning framework to guide development or address surface amenities and public infrastructure.

		New Construction Units Added																	
Land Use	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Apartments	Dwelling Units	-	-	-	200	-	-	200	-	-	-	-	200	-	-	-	200	-	-
Condominiums - mid-priced	Dwelling Units	-	-	-	150	-	-	-	150	-	-	-	150	-	-	-	-	150	-
Condominiums - luxury	Dwelling Units	-	-	-	-	-	-	-	90	-	-	-	-	-	-	-	90	-	-
Office	Sq.Ft.	-	-	-	-	-	-	-	300,000	-	-	-	-	300,000	-	-	-	300,000	-
Hotel - limited service	Rooms	-	-	-	-	-	-	-	-	-	-	-	-	225	-	-	-	-	-
Hotel - full service	Rooms	-	-	-	-	-	-	250	-	-	-	-	-	-	-	-	-	-	-
Retail – by demand <sup>1</sup>	Sq.Ft.	-	-	-	-	-	15,000	-	-	-	15,000	-	-	-	15,000	-	-	15,000	-
Retail – actual <sup>2</sup>	Sq.Ft.	-	-	-	-	-	-	15,000	15,000	-	-	-	-	15,000	-	-	-	15,000	-
		Cumulative Units Added																	
Land Use	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Apartments	Dwelling Units	-	-	-	200	200	200	400	400	400	400	400	600	600	600	600	800	800	800
Condominiums - mid-priced	Dwelling Units	-	-	-	150	150	150	150	300	300	300	300	450	450	450	450	450	600	600
Condominiums - luxury	Dwelling Units	-	-	-	-	-	-	-	90	90	90	90	90	90	90	90	180	180	180
Office	Sq.Ft.	-	-	-	-	-	-	-	300,000	300,000	300,000	300,000	300,000	600,000	600,000	600,000	600,000	900,000	900,000
Hotel - limited service	Rooms	-	-	-	-	-	-	-	-	-	-	-	-	225	225	225	225	225	225
Hotel - full service	Rooms	-	-	-	-	-	-	250	250	250	250	250	250	250	250	250	250	250	250
Retail – by demand <sup>1</sup>	Sq.Ft.	-	-	-	-	-	15,000	15,000	15,000	15,000	30,000	30,000	30,000	30,000	45,000	45,000	45,000	60,000	60,000
Retail – actual <sup>2</sup>	Sq.Ft.	-	-	-	-	-	-	15,000	30,000	30,000	30,000	30,000	30,000	45,000	45,000	45,000	45,000	60,000	60,000

<sup>1</sup> Represents retail space theoretically added solely from projected supportable absorption. Not used for projected TIRZ value calculation.

<sup>2</sup> Retail “by demand” amounts modified to correspond with construction of other uses. Used as input into projected TIRZ value calculation.

Source: CDS | Spillette

## Waller Creek TIRZ Development Program – Master Plan

		New Construction Units Added																	
Land Use	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Apartments	Dwelling Units	-	-	-	200	-	200	-	200	-	-	200	-	200	-	200	-	-	200
Condominiums - mid-priced	Dwelling Units	-	-	-	150	-	150	-	150	-	-	150	-	150	-	-	150	-	-
Condominiums - luxury	Dwelling Units	-	-	-	-	-	-	90	-	-	-	-	-	90	-	-	-	-	90
Office	Sq.Ft.	-	-	-	-	-	-	300,000	-	-	-	-	300,000	-	-	300,000	-	-	-
Hotel - limited service	Rooms	-	-	-	-	-	-	-	-	-	-	225	-	-	-	-	-	-	-
Hotel - full service	Rooms	-	-	-	-	-	-	250	-	-	-	-	-	-	-	-	-	-	-
Retail – by demand <sup>1</sup>	Sq.Ft.	-	-	-	-	-	15,000	-	15,000	-	-	15,000	-	15,000	-	-	15,000	-	15,000
Retail – actual <sup>2</sup>	Sq.Ft.	-	-	-	-	-	15,000	7,500	7,500	-	-	15,000	7,500	7,500	-	15,000	-	-	15,000
		Cumulative Units Added																	
Land Use	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Apartments	Dwelling Units	-	-	-	200	200	400	400	600	600	600	800	800	1,000	1,000	1,200	1,200	1,200	1,400
Condominiums - mid-priced	Dwelling Units	-	-	-	150	150	300	300	450	450	450	600	600	750	750	750	900	900	900
Condominiums - luxury	Dwelling Units	-	-	-	-	-	-	90	90	90	90	90	90	180	180	180	180	180	270
Office	Sq.Ft.	-	-	-	-	-	-	300,000	300,000	300,000	300,000	300,000	600,000	600,000	600,000	900,000	900,000	900,000	900,000
Hotel - limited service	Rooms	-	-	-	-	-	-	-	-	-	-	225	225	225	225	225	225	225	225
Hotel - full service	Rooms	-	-	-	-	-	-	250	250	250	250	250	250	250	250	250	250	250	250
Retail – by demand <sup>1</sup>	Sq.Ft.	-	-	-	-	-	15,000	15,000	30,000	30,000	30,000	45,000	45,000	60,000	60,000	60,000	75,000	75,000	90,000
Retail – actual <sup>2</sup>	Sq.Ft.	-	-	-	-	-	15,000	22,500	30,000	30,000	30,000	45,000	52,500	60,000	60,000	75,000	75,000	75,000	90,000

<sup>1</sup> Represents retail space theoretically added solely from projected supportable absorption. Not used for projected TIRZ value calculation.

<sup>2</sup> Retail “by demand” amounts modified to correspond with construction of other uses. Used as input into projected TIRZ value calculation.

Source: CDS | Spillette

## Waller Creek TIRZ Development Program – Creekside

		New Construction Units Added																	
Land Use	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Apartments	Dwelling Units	-	-	-	200	-	-	200	-	-	200	-	-	-	200	-	-	-	200
Condominiums - mid-priced	Dwelling Units	-	-	-	150	-	-	150	-	-	150	-	-	-	150	-	-	-	150
Condominiums - luxury	Dwelling Units	-	-	-	-	-	-	-	90	-	-	-	-	-	-	-	90	-	-
Office	Sq.Ft.	-	-	-	-	-	-	-	300,000	-	-	-	-	300,000	-	-	-	300,000	-
Hotel - limited service	Rooms	-	-	-	-	-	-	-	-	225	-	-	-	225	-	-	-	-	-
Hotel - full service	Rooms	-	-	-	-	-	-	250	-	-	-	-	-	-	-	250	-	-	-
Retail – by demand <sup>1</sup>	Sq.Ft.	-	-	-	-	-	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Retail – actual <sup>2</sup>	Sq.Ft.	-	-	-	-	-	-	30,000	15,000	15,000	15,000	-	-	30,000	30,000	15,000	7,500	22,500	15,000
		Cumulative Units Added																	
Land Use	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Apartments	Dwelling Units	-	-	-	200	200	200	400	400	400	600	600	600	600	800	800	800	800	1,000
Condominiums - mid-priced	Dwelling Units	-	-	-	150	150	150	300	300	300	450	450	450	450	600	600	600	600	750
Condominiums - luxury	Dwelling Units	-	-	-	-	-	-	-	90	90	90	90	90	90	90	90	180	180	180
Office	Sq.Ft.	-	-	-	-	-	-	-	300,000	300,000	300,000	300,000	300,000	600,000	600,000	600,000	600,000	900,000	900,000
Hotel - limited service	Rooms	-	-	-	-	-	-	-	-	225	225	225	225	450	450	450	450	450	450
Hotel - full service	Rooms	-	-	-	-	-	-	250	250	250	250	250	250	250	250	500	500	500	500
Retail – by demand <sup>1</sup>	Sq.Ft.	-	-	-	-	-	15,000	30,000	45,000	60,000	75,000	90,000	105,000	120,000	135,000	150,000	165,000	180,000	195,000
Retail – actual <sup>2</sup>	Sq.Ft.	-	-	-	-	-	-	30,000	45,000	60,000	75,000	75,000	75,000	105,000	135,000	150,000	157,500	180,000	195,000

<sup>1</sup> Represents retail space theoretically added solely from projected supportable absorption. Not used for projected TIRZ value calculation.

<sup>2</sup> Retail “by demand” amounts modified to correspond with construction of other uses. Used as input into projected TIRZ value calculation.

Source: CDS | Spillette

Using the new development projections within the TIRZ, the future TIRZ assessed value and tax increment could be projected. These projections also require a set of assumptions, listed as follows.

1. All existing assessed value within the TIRZ is projected to increase by an average of 5.0% annually, starting after 2011. This assumption is the result of an examination of historical assessed value trends within the TIRZ since 2006, which has indicated rates both above and below this level depending upon land use and other factors.
2. Assessed value increases due to new construction are projected to enter the tax rolls at a ratio of 30% of the increase in the year prior to project completion and 70% in the year of completion.
3. Based on analysis of exemptions claimed in existing condominium developments in the TIRZ, 54% of condominium owners are projected to claim a Travis County homestead exemption. A projected 4% of condominium owners will claim an Over-65 exemption from both the City of Austin and Travis County.
4. A survey of assessed values for downtown Austin properties of various land uses provided the basis for the projected new development value per unit factors summarized in the table below. These values are presented for 2009 and are projected to appreciate at the same rate given above.

#### New Construction Value Factors

Land Use	Value Factor	Unit
Apartments	\$ 150,000	per dwelling unit
Condominiums - mid priced	\$ 340,000	per dwelling unit
Condominiums - luxury	\$ 650,000	per dwelling unit
Office	\$ 250	per leasable sq.ft.
Hotel - limited service	\$ 90,000	per room
Hotel - first class	\$ 130,000	per room
Retail	\$ 195	per leasable sq.ft.

Source: CDS | Spillette

## Waller Creek TIRZ Projected New Construction Value and Tax Exemptions – Base Case

Note: Does not reflect a master planning framework to guide development or address surface amenities and public infrastructure.

Land Use	Year	New Construction Value (\$)																	
	Constr.	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Tax	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Revenue	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Apartments		-	-	9,922,500	24,310,125	-	11,486,534	28,142,008	-	-	-	14,660,052	35,917,127	-	-	17,819,384	43,657,492	-	-
Condominiums - mid-priced		-	-	16,868,250	41,327,213	-	-	20,503,463	50,233,485	-	-	24,922,088	61,059,115	-	-	-	31,807,601	77,928,623	-
Condominiums - luxury		-	-	-	-	-	-	23,518,678	57,620,762	-	-	-	-	-	-	34,747,800	85,132,109	-	-
Office		-	-	-	-	-	-	30,152,152	73,872,772	-	-	-	38,482,636	94,282,457	-	-	46,775,884	114,600,916	-
Hotel - limited service		-	-	-	-	-	-	-	-	-	-	-	10,390,312	25,456,263	-	-	-	-	-
Hotel - full service		-	-	-	-	-	12,443,745	30,487,176	-	-	-	-	-	-	-	-	-	-	-
Retail		-	-	-	-	1,119,937	3,919,780	2,881,038	-	-	-	1,500,823	3,677,016	-	-	1,824,259	4,469,436	-	-
Exemption Category	New Property Tax Exemptions (\$)																		
Travis County homestead		-	-	-	(405,000)	-	-	-	(648,000)	-	-	-	(405,000)	-	-	-	(243,000)	(405,000)	-
City of Austin over 65		-	-	-	(306,000)	-	-	-	(489,600)	-	-	-	(306,000)	-	-	-	(183,600)	(306,000)	-
Travis County over 65		-	-	-	(390,000)	-	-	-	(624,000)	-	-	-	(390,000)	-	-	-	(234,000)	(390,000)	-
<u>Cumulative</u>																			
Travis County homestead		-	-	-	(405,000)	(405,000)	(405,000)	(405,000)	(1,053,000)	(1,053,000)	(1,053,000)	(1,053,000)	(1,458,000)	(1,458,000)	(1,458,000)	(1,458,000)	(1,701,000)	(2,106,000)	(2,106,000)
City of Austin over 65		-	-	-	(306,000)	(306,000)	(306,000)	(306,000)	(795,600)	(795,600)	(795,600)	(795,600)	(1,101,600)	(1,101,600)	(1,101,600)	(1,101,600)	(1,285,200)	(1,591,200)	(1,591,200)
Travis County over 65		-	-	-	(390,000)	(390,000)	(390,000)	(390,000)	(1,014,000)	(1,014,000)	(1,014,000)	(1,014,000)	(1,404,000)	(1,404,000)	(1,404,000)	(1,404,000)	(1,638,000)	(2,028,000)	(2,028,000)

Source: CDS | Spillette

## Waller Creek TIRZ Projected New Construction Value and Tax Exemptions – Master Plan

Land Use	Year	New Construction Value (\$)																	
	Constr.	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Tax	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Revenue	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Apartments		-	-	9,922,500	24,310,125	10,939,556	26,801,913	12,060,861	29,549,109	-	13,961,954	34,206,787	15,393,054	37,712,983	16,970,842	41,578,564	-	19,645,871	48,132,385
Condominiums - mid-priced		-	-	16,868,250	41,327,213	18,597,246	45,563,252	20,503,463	50,233,485	-	23,735,322	58,151,538	26,168,192	64,112,071	-	30,292,953	74,217,736	-	-
Condominiums - luxury		-	-	-	-	-	22,398,741	54,876,916	-	-	-	-	30,016,456	73,540,317	-	-	-	38,309,449	93,858,150
Office		-	-	-	-	-	28,716,335	70,355,021	-	-	-	36,650,129	89,792,816	-	42,427,106	103,946,409	-	-	-
Hotel - limited service		-	-	-	-	-	-	-	-	-	9,424,319	23,089,581	-	-	-	-	-	-	-
Hotel - full service		-	-	-	-	-	12,443,745	30,487,176	-	-	-	-	-	-	-	-	-	-	-
Retail		-	-	-	-	1,066,607	3,173,155	1,959,890	1,440,519	-	1,361,291	4,049,839	2,501,371	1,838,508	1,654,657	4,053,910	-	1,915,472	4,692,908
Exemption Category		New Property Tax Exemptions (\$)																	
Travis County homestead		-	-	-	(405,000)	-	(405,000)	(243,000)	(405,000)	-	-	(405,000)	-	(648,000)	-	-	(405,000)	-	(243,000)
City of Austin over 65		-	-	-	(306,000)	-	(306,000)	(183,600)	(306,000)	-	-	(306,000)	-	(489,600)	-	-	(306,000)	-	(183,600)
Travis County over 65		-	-	-	(390,000)	-	(390,000)	(234,000)	(390,000)	-	-	(390,000)	-	(624,000)	-	-	(390,000)	-	(234,000)
Cumulative																			
Travis County homestead		-	-	-	(405,000)	(405,000)	(810,000)	(1,053,000)	(1,458,000)	(1,458,000)	(1,458,000)	(1,863,000)	(1,863,000)	(2,511,000)	(2,511,000)	(2,511,000)	(2,916,000)	(2,916,000)	(3,159,000)
City of Austin over 65		-	-	-	(306,000)	(306,000)	(612,000)	(795,600)	(1,101,600)	(1,101,600)	(1,101,600)	(1,407,600)	(1,407,600)	(1,897,200)	(1,897,200)	(1,897,200)	(2,203,200)	(2,203,200)	(2,386,800)
Travis County over 65		-	-	-	(390,000)	(390,000)	(780,000)	(1,014,000)	(1,404,000)	(1,404,000)	(1,404,000)	(1,794,000)	(1,794,000)	(2,418,000)	(2,418,000)	(2,418,000)	(2,808,000)	(2,808,000)	(3,042,000)

Source: CDS | Spillette

## Waller Creek TIRZ Projected New Construction Value and Tax Exemptions – Creekside

Land Use	Year	New Construction Value (\$)																	
	Constr.	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Tax	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Revenue	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Apartments	-	-	9,922,500	24,310,125	-	11,486,534	28,142,008	-	13,297,099	32,577,893	-	-	16,162,707	39,598,632	-	-	19,645,871	48,132,385	
Condominiums - mid-priced	-	-	16,868,250	41,327,213	-	19,527,108	47,841,414	-	22,605,068	55,382,417	-	-	27,476,602	67,317,674	-	-	33,397,981	81,825,054	
Condominiums - luxury	-	-	-	-	-	-	23,518,678	57,620,762	-	-	-	-	-	-	34,747,800	85,132,109	-	-	
Office	-	-	-	-	-	-	30,152,152	73,872,772	-	-	-	38,482,636	94,282,457	-	-	46,775,884	114,600,916	-	
Hotel - limited service	-	-	-	-	-	-	-	8,548,135	20,942,931	-	-	10,390,312	25,456,263	-	-	-	-	-	
Hotel - full service	-	-	-	-	-	12,443,745	30,487,176	-	-	-	-	-	-	18,385,079	45,043,444	-	-	-	
Retail	-	-	-	-	-	2,239,874	6,663,626	4,115,769	4,321,557	3,176,345	-	3,001,646	10,505,760	9,376,390	4,922,605	4,864,692	8,619,626	4,692,908	
Exemption Category		New Property Tax Exemptions (\$)																	
Travis County homestead	-	-	-	(405,000)	-	-	(405,000)	(243,000)	-	(405,000)	-	-	-	(405,000)	-	(243,000)	-	(405,000)	
City of Austin over 65	-	-	-	(306,000)	-	-	(306,000)	(183,600)	-	(306,000)	-	-	-	(306,000)	-	(183,600)	-	(306,000)	
Travis County over 65	-	-	-	(390,000)	-	-	(390,000)	(234,000)	-	(390,000)	-	-	-	(390,000)	-	(234,000)	-	(390,000)	
Cumulative																			
Travis County homestead	-	-	-	(405,000)	(405,000)	(405,000)	(810,000)	(1,053,000)	(1,053,000)	(1,458,000)	(1,458,000)	(1,458,000)	(1,458,000)	(1,863,000)	(1,863,000)	(2,106,000)	(2,106,000)	(2,511,000)	
City of Austin over 65	-	-	-	(306,000)	(306,000)	(306,000)	(612,000)	(795,600)	(795,600)	(1,101,600)	(1,101,600)	(1,101,600)	(1,101,600)	(1,407,600)	(1,407,600)	(1,591,200)	(1,591,200)	(1,897,200)	
Travis County over 65	-	-	-	(390,000)	(390,000)	(390,000)	(780,000)	(1,014,000)	(1,014,000)	(1,404,000)	(1,404,000)	(1,404,000)	(1,404,000)	(1,794,000)	(1,794,000)	(2,028,000)	(2,028,000)	(2,418,000)	

Source: CDS | Spillette



The 2009 taxable assessed value of the TIRZ is calculated by taking the certified taxable values for the City of Austin and Travis County for 2009 and adding the total taxable values of accounts remaining under protest, less a 15% protest loss. The estimates are made as follows:

For the projected 2010 assessed value, CDS | Spillette has assumed that the assessed value of parcels on the north side of 4<sup>th</sup> Street sold in December 2009 will become the TCAD assessed value for January 1, 2010 for those parcels. The 2010 assessed values are therefore projected to be the 2009 estimated certified values given above plus the increase in value for those particular parcels (sales price less 2009 assessed value) of \$4,430,587.

It is possible that TCAD will add value for 2010 to the Legacy apartment tower property owing to its completion and lease up in

2009; however, CDS | Spillette has not assumed this in the projections.

Adding the projected value of new construction and tax exemptions to the 2010 projected assessed value, subject to appreciation over time (after 2011), thereby calculates the projected assessed value of the TIRZ. The projected assessed value for each year less the 2007 base year taxable value equals the projected tax increment. The annual increment is calculated separately for the City of Austin and Travis County because each jurisdiction has a different base year value due to differences in exemptions offered. The projections for each scenario are provided on the following pages.

CDS | Spillette has not assumed any permanent value loss due to City property acquisition within the TIRZ, nor are any currently publicly-owned parcels assumed to be released to the private market.

### Estimated 2009 TIRZ Assessed Value

Land Use	City of Austin	Travis County
2009 certified taxable value	\$376,155,041	\$363,526,840
plus: prelim. value protest accounts	\$544,000	\$544,000
less: projected hearing loss on protests	15%	15%
Estimated final 2009 certified value	\$376,617,441	\$363,989,240

Source: CDS | Spillette

**Projected TIRZ Assessed Value and Increment – Base Case**

Note: Does not reflect a master planning framework to guide development or address surface amenities and public infrastructure.

		City of Austin		Travis County	
Tax Year	Revenue Year	Projected Assessed Value	Projected Increment	Projected Assessed Value	Projected Increment
2010	2011	\$ 381,048,028	\$ 144,848,246	\$ 368,419,827	\$ 140,275,237
2011	2012	\$ 381,048,028	\$ 144,848,246	\$ 368,419,827	\$ 140,275,237
2012	2013	\$ 400,100,429	\$ 163,900,647	\$ 386,840,818	\$ 158,696,228
2013	2014	\$ 446,896,201	\$ 210,696,419	\$ 432,973,609	\$ 204,829,019
2014	2015	\$ 534,572,348	\$ 298,372,566	\$ 519,464,627	\$ 291,320,037
2015	2016	\$ 560,994,966	\$ 324,795,184	\$ 544,642,859	\$ 316,498,269
2016	2017	\$ 613,788,930	\$ 377,589,148	\$ 596,130,218	\$ 367,985,628
2017	2018	\$ 780,895,635	\$ 544,695,853	\$ 761,864,987	\$ 533,720,397
2018	2019	\$ 1,003,752,874	\$ 767,553,092	\$ 982,499,294	\$ 754,354,704
2019	2020	\$ 1,053,144,918	\$ 816,945,136	\$ 1,029,557,258	\$ 801,412,668
2020	2021	\$ 1,105,006,564	\$ 868,806,782	\$ 1,078,968,121	\$ 850,823,531
2021	2022	\$ 1,199,043,431	\$ 962,843,649	\$ 1,170,431,667	\$ 942,287,077
2022	2023	\$ 1,405,244,015	\$ 1,169,044,233	\$ 1,373,441,262	\$ 1,145,296,672
2023	2024	\$ 1,597,820,352	\$ 1,361,620,570	\$ 1,562,667,061	\$ 1,334,522,471
2024	2025	\$ 1,676,609,769	\$ 1,440,409,987	\$ 1,637,938,414	\$ 1,409,793,824
2025	2026	\$ 1,811,905,842	\$ 1,575,706,060	\$ 1,769,540,519	\$ 1,541,395,929
2026	2027	\$ 2,110,413,279	\$ 1,874,213,497	\$ 2,063,875,890	\$ 1,835,731,300
2027	2028	\$ 2,411,341,717	\$ 2,175,141,935	\$ 2,359,934,659	\$ 2,131,790,069
2028	2029	\$ 2,530,317,603	\$ 2,294,117,821	\$ 2,473,797,392	\$ 2,245,652,802

Source: CDS | Spillette

## Projected TIRZ Assessed Value and Increment – Master Plan

		City of Austin		Travis County	
Tax Year	Revenue Year	Projected Assessed Value	Projected Increment	Projected Assessed Value	Projected Increment
2010	2011	\$ 381,048,028	\$ 144,848,246	\$ 368,419,827	\$ 140,275,237
2011	2012	\$ 381,048,028	\$ 144,848,246	\$ 368,419,827	\$ 140,275,237
2012	2013	\$ 400,100,429	\$ 163,900,647	\$ 386,840,818	\$ 158,696,228
2013	2014	\$ 446,896,201	\$ 210,696,419	\$ 432,973,609	\$ 204,829,019
2014	2015	\$ 534,572,348	\$ 298,372,566	\$ 519,464,627	\$ 291,320,037
2015	2016	\$ 591,598,374	\$ 355,398,592	\$ 575,246,267	\$ 347,101,677
2016	2017	\$ 759,663,435	\$ 523,463,653	\$ 741,515,722	\$ 513,371,132
2017	2018	\$ 987,094,334	\$ 750,894,552	\$ 966,767,835	\$ 738,623,245
2018	2019	\$ 1,116,570,563	\$ 880,370,781	\$ 1,093,467,340	\$ 865,322,750
2019	2020	\$ 1,171,297,492	\$ 935,097,710	\$ 1,145,278,707	\$ 917,134,117
2020	2021	\$ 1,277,243,651	\$ 1,041,043,869	\$ 1,248,163,528	\$ 1,020,018,938
2021	2022	\$ 1,495,846,109	\$ 1,259,646,327	\$ 1,463,062,579	\$ 1,234,917,989
2022	2023	\$ 1,733,102,704	\$ 1,496,902,922	\$ 1,696,430,598	\$ 1,468,286,008
2023	2024	\$ 1,995,064,517	\$ 1,758,864,735	\$ 1,953,527,006	\$ 1,725,382,416
2024	2025	\$ 2,153,973,148	\$ 1,917,773,366	\$ 2,107,326,961	\$ 1,879,182,371
2025	2026	\$ 2,439,646,442	\$ 2,203,446,660	\$ 2,387,636,145	\$ 2,159,491,555
2026	2027	\$ 2,633,643,300	\$ 2,397,443,518	\$ 2,575,511,689	\$ 2,347,367,099
2027	2028	\$ 2,822,993,058	\$ 2,586,793,276	\$ 2,758,434,066	\$ 2,530,289,476
2028	2029	\$ 3,108,439,353	\$ 2,872,239,571	\$ 3,036,838,211	\$ 2,808,693,621

Source: CDS | Spillette

## Projected TIRZ Assessed Value and Increment – Creekside

		City of Austin		Travis County	
Tax Year	Revenue Year	Projected Assessed Value	Projected Increment	Projected Assessed Value	Projected Increment
2010	2011	\$ 381,048,028	\$ 144,848,246	\$ 368,419,827	\$ 140,275,237
2011	2012	\$ 381,048,028	\$ 144,848,246	\$ 368,419,827	\$ 140,275,237
2012	2013	\$ 400,100,429	\$ 163,900,647	\$ 386,840,818	\$ 158,696,228
2013	2014	\$ 446,896,201	\$ 210,696,419	\$ 432,973,609	\$ 204,829,019
2014	2015	\$ 534,572,348	\$ 298,372,566	\$ 519,464,627	\$ 291,320,037
2015	2016	\$ 560,994,966	\$ 324,795,184	\$ 544,642,859	\$ 316,498,269
2016	2017	\$ 634,435,975	\$ 398,236,193	\$ 616,777,263	\$ 388,632,673
2017	2018	\$ 832,350,829	\$ 596,151,047	\$ 812,831,181	\$ 584,686,591
2018	2019	\$ 1,017,330,209	\$ 781,130,427	\$ 995,563,178	\$ 767,418,588
2019	2020	\$ 1,128,567,774	\$ 892,367,992	\$ 1,104,440,992	\$ 876,296,402
2020	2021	\$ 1,275,031,218	\$ 1,038,831,436	\$ 1,247,937,696	\$ 1,019,793,106
2021	2022	\$ 1,337,681,178	\$ 1,101,481,396	\$ 1,307,472,581	\$ 1,079,327,991
2022	2023	\$ 1,455,338,230	\$ 1,219,138,448	\$ 1,421,858,803	\$ 1,193,714,213
2023	2024	\$ 1,700,887,330	\$ 1,464,687,548	\$ 1,663,973,532	\$ 1,435,828,942
2024	2025	\$ 1,919,201,873	\$ 1,683,002,091	\$ 1,878,192,984	\$ 1,650,048,394
2025	2026	\$ 2,098,468,215	\$ 1,862,268,433	\$ 2,053,159,482	\$ 1,825,014,892
2026	2027	\$ 2,338,573,110	\$ 2,102,373,328	\$ 2,288,456,141	\$ 2,060,311,551
2027	2028	\$ 2,630,174,960	\$ 2,393,975,178	\$ 2,575,009,342	\$ 2,346,864,752
2028	2029	\$ 2,894,436,854	\$ 2,658,237,072	\$ 2,833,481,155	\$ 2,605,336,565

Source: CDS | Spillette

## Potential Adjustments to Value and Increment Projections

CDS | Spillette projections of Waller Creek TIRZ property value increment are lower than the projections contained in the existing TIRZ Project and Financing Plan. Kellogg, Brown & Root / Espey- produced that plan based on projections of market demand from the CDS | Spillette market study update in 2006. The most significant reason for the decrease in the updated TIRZ values is the lower projection of supportable office space construction, which decreased from a cumulative total of 2,950,000 square feet by 2028 in the previous projection to a total of 900,000 square feet in the current projection. Also, due to the current economic downturn, CDS | Spillette is projecting that both new development and base value appreciation are delayed until 2012.

The evolution of the Austin office market, particularly in Downtown, since 2006 has led CDS | Spillette to lower projected demand for office space within the TIRZ. In particular, overall office absorption has been lower than anticipated in Downtown and the preferred location for new office projects has shifted to the western half of Downtown, encouraged partly by the City's planning and development efforts at the Green Water Treatment Plant and Seaholm Power Plant sites and general support for mixed-use vitality in that area.

CDS | Spillette has examined the impact of changing some analysis variables that would affect future TIRZ property value increment: increasing the base value appreciation rate and projecting a slightly higher level of office construction. A summary of the resulting impacts on the tax year 2028 projected value increment are shown in the table below.

### Sensitivity Analysis – Impact on City of Austin 2028 Increment

Modification	Master Plan 2028 Increment
<b>Existing TIRZ Project Plan (KBR projection)</b>	<b>\$ 3,771,374,421</b>
1. Existing projection	\$ 2,866,359,091
2. Increase appreciation rate to 5.25%	\$ 2,995,098,739
3. Increase appreciation rate to 5.5%	\$ 3,128,832,880
4. Add 1 office building between 2020 and 2030	\$ 3,038,260,465
5. Both #2 and #4	\$ 3,174,092,149

Source: CDS | Spillette

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The likelihood of such changes occurring is difficult to discern, especially since such a long time period is under consideration. The base appreciation rate of 5.0% that was assumed is reasonable given the recent historical data available; several relevant land uses have appreciated considerably faster since 2006 within the zone. An analysis of the zone's property accounts found that when accounts related to new construction were netted out due to their not yet reaching market stabilization (or a lack of historical data due to new condo account creation), the 2006 to 2009 appreciation rate was 6.6% per year.

If similar market momentum continues for this portion of Downtown after the recession's impacts have eased (and CDS | Spillette is of the opinion that momentum will resume), plus the benefits of Master Plan implementation are layered on top of this, it is not unreasonable that the appreciation rate could edge higher, though likely not above a long term average rate of 5.5%.

Regarding additional office development in the later years of the zone's life, adding an additional 250,000 square foot building is equivalent to increasing the zone's share of Downtown market demand from 25% to 30% between 2021 to 2027. This is not a major change in the context of the projection model, particularly for the relatively distant future years. However, it does imply an even greater shift in the existing trend of office development on the west side of Downtown. The successful creation of a more complete urban mixed-use district, which Master Plan implementation will help, could enable such a shift. It would be important to ensure that new zoning and building regulations do not discourage more intensive office uses within the zone.

The following table depicts potential ranges of City tax increments assuming the changing inputs discussed above.

## Waller Creek Tax Increment Reinvestment Zone No. 17 Projected Increment Ranges

	Original Projections Based on 2006 Market Update (Prepared by KBR)	Potential Increment Ranges Based on 2009 Market Update			
<b>Changing inputs:</b>					
Appreciation		5.0%	5.5%	5.0%	5.5%
Extra Demand in 2026		-	-	250,000	250,000
<b>City tax increment:</b>					
2010	\$ 102,193,893	\$ 144,848,246	\$ 144,848,246	\$ 144,848,246	\$ 144,848,246
2011	\$ 246,765,125	\$ 144,848,246	\$ 144,848,246	\$ 144,848,246	\$ 144,848,246
2012	\$ 308,001,868	\$ 163,900,647	\$ 165,805,888	\$ 163,900,647	\$ 165,805,888
2013	\$ 406,638,381	\$ 210,696,419	\$ 214,962,707	\$ 210,696,419	\$ 214,962,707
2014	\$ 513,678,233	\$ 298,372,566	\$ 306,050,130	\$ 298,372,566	\$ 306,050,130
2015	\$ 665,695,160	\$ 355,398,592	\$ 366,758,383	\$ 355,398,592	\$ 366,758,383
2016	\$ 806,728,263	\$ 523,463,653	\$ 541,749,752	\$ 523,463,653	\$ 541,749,752
2017	\$ 986,239,988	\$ 750,894,552	\$ 779,485,348	\$ 750,894,552	\$ 779,485,348
2018	\$ 1,175,223,691	\$ 880,370,781	\$ 918,215,966	\$ 880,370,781	\$ 918,215,966
2019	\$ 1,346,815,487	\$ 935,097,710	\$ 980,607,232	\$ 935,097,710	\$ 980,607,232
2020	\$ 1,531,857,854	\$ 1,041,043,869	\$ 1,097,030,762	\$ 1,041,043,869	\$ 1,097,030,762
2021	\$ 1,731,259,941	\$ 1,259,646,327	\$ 1,332,695,705	\$ 1,259,646,327	\$ 1,332,695,705
2022	\$ 1,980,012,865	\$ 1,496,902,922	\$ 1,590,240,335	\$ 1,496,902,922	\$ 1,590,240,335
2023	\$ 2,212,118,471	\$ 1,758,864,735	\$ 1,876,396,614	\$ 1,758,864,735	\$ 1,876,396,614
2024	\$ 2,461,704,993	\$ 1,917,773,366	\$ 2,055,634,160	\$ 1,917,773,366	\$ 2,055,634,160
2025	\$ 2,729,937,390	\$ 2,203,446,660	\$ 2,372,029,446	\$ 2,247,995,121	\$ 2,419,641,503
2026	\$ 3,061,155,024	\$ 2,397,443,518	\$ 2,592,978,264	\$ 2,553,363,131	\$ 2,760,414,001
2027	\$ 3,371,767,481	\$ 2,586,793,276	\$ 2,810,978,824	\$ 2,750,508,870	\$ 2,987,623,527
2028	\$ 3,662,706,291	\$ 2,872,239,571	\$ 3,135,207,973	\$ 3,044,140,945	\$ 3,321,568,134

Source: City of Austin; CDS | Spillette

## **CDS | Spillette**

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**EXHIBIT 14**  
**WALLER CREEK TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 17**  
**TIF VALUE INCREMENT AND TAX REVENUE SCHEDULE**

**TUNNEL  
CONSTRUCTION  
ESTIMATED TO  
START IN MAY  
2011**

Without Historic and Tax Exempt Properties	TOTALS		PROJECTED VALUES ----->>			
TAX YEAR		2007	2008	2009	2010	2011
FISCAL YEAR			2009	2010	2011	2012
TAX BASE (CITY)		\$ 236,199,782				
TAX BASE (COUNTY)		\$ 228,144,590				
Assessed value increment			\$ 37,536,688	\$ 139,684,500	\$ 115,243,102	\$ 163,900,647
Total ASSESSED VALUATION			\$ 273,736,470	\$ 375,884,282	\$ 351,442,884	\$ 400,100,429
Annual City Real and Personal Property Tax Revenue	\$ 102,730,135		\$ 149,946	\$ 593,180	\$ 542,076	\$ 770,790
50% of Total Annual County Real and Personal Property Tax Revenue	\$ 51,334,173		\$ 66,213	\$ 292,906	\$ 263,388	\$ 374,595
Total Property Tax Revenue	\$ 154,064,308		\$ 216,159	\$ 886,086	\$ 805,464	\$ 1,145,385
Annual Bond Payments (estimated based on amount to be financed of \$106.1 million)	\$ 95,856,733		\$ -	\$ -	\$ -	\$ -
Annual O&M Cost (estimated based on 2006 dollars of \$2.6 million, 3% annual inflation)	\$ 55,312,000		\$ -	\$ -	\$ -	\$ -
Total Debt Service and O&M Costs over 20-Year TIF Term	\$ 151,168,733		\$ -	\$ -	\$ -	\$ -
Annual Surplus/(Deficit)			\$ 216,159	\$ 886,086	\$ 805,464	\$ 1,145,385
Cummulative Surplus/(Deficit)	\$ 2,895,575		\$ 216,159	\$ 1,102,245	\$ 1,907,709	\$ 3,053,094
If Alternate Funding Source for Tunnel Operations and Maintenance is used (see note below):						
Annual Surplus/(Deficit) if O&M Costs are shifted to Drainage Utility Fund			\$ 216,159	\$ 886,086	\$ 805,464	\$ 1,145,385
Cummulative Surplus/(Deficit) if O&M Costs are shifted to Drainage Utility Fund	\$ 58,207,575		\$ 216,159	\$ 1,102,245	\$ 1,907,709	\$ 3,053,094

Note: The project and financing plan approved in 2008 included projected cash flow from the Hilton Hotel project to pay for operations and maintenance of the tunnel upon its completion. This funding source is subject to fluctuations in the economy, similar to sales taxes and hotel occupancy tax revenue. This updated financing plan provides the option of shifting these ongoing operating costs to the City's Drainage Utility Fund, an appropriate use of these funds for a flood control project like the Waller Creek tunnel. The City's Watershed Department will evaluate the feasibility of absorbing all or a portion prior to completion of the tunnel as part of the City's five-year forecast and budget development processes. During budget adoption, the City Council may elect to permanently or temporarily shift the annual cost of tunnel operations and maintenance to the Drainage Utility Fund, or to charge the costs to the Waller Creek TIF fund provided that sufficient TIF revenues are available. Cash flow from the Hilton hotel project is not included in the projections in the above table, although this additional funding source is expected become available again as convention activity increases and will continue to serve as an additional funding source in the future. Council may also elect to fund costs related to the tunnel project with cash flow from the Hilton Hotel project when it is available.

**EXHIBIT 14**  
**WALLER CREEK TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 17**  
**TIF VALUE INCREMENT AND TAX REVENUE SCHEDULE**

Without Historic and Tax Exempt Properties		PROJECTED VALUES ----->>						
	TAX YEAR	2012	2013	2014	2015	2016	2017	
	FISCAL YEAR	2013	2014	2015	2016	2017	2018	
	TAX BASE (CITY)							
	TAX BASE (COUNTY)							
Assessed value increment		\$ 210,696,419	\$ 298,372,566	\$ 355,398,592	\$ 523,463,653	\$ 750,894,552	\$ 880,370,781	
Total ASSESSED VALUATION		\$ 446,896,201	\$ 534,572,348	\$ 591,598,374	\$ 759,663,435	\$ 987,094,334	\$ 1,116,570,563	
Annual City Real and Personal Property Tax Revenue		\$ 963,093	\$ 1,363,861	\$ 1,624,527	\$ 2,392,752	\$ 3,432,339	\$ 4,024,175	
50% of Total Annual County Real and Personal Property Tax Revenue		\$ 481,547	\$ 681,930	\$ 812,263	\$ 1,196,376	\$ 1,716,169	\$ 2,012,087	
Total Property Tax Revenue		\$ 1,444,640	\$ 2,045,791	\$ 2,436,790	\$ 3,589,129	\$ 5,148,508	\$ 6,036,262	
Annual Bond Payments (estimated based on amount to be financed of \$106.1 million)		\$ 1,209,343	\$ 5,322,171	\$ 5,322,171	\$ 5,322,171	\$ 5,322,171	\$ 6,668,973	
Annual O&M Cost (estimated based on 2006 dollars of \$2.6 million, 3% annual inflation)		\$ -	\$ 1,527,000	\$ 3,145,000	\$ 3,240,000	\$ 3,340,000	\$ 3,440,000	
Total Debt Service and O&M Costs over 20-Year TIF Term		\$ 1,209,343	\$ 6,849,171	\$ 8,467,171	\$ 8,562,171	\$ 8,662,171	\$ 10,108,973	
Annual Surplus/(Deficit)		\$ 235,297	\$ (4,803,380)	\$ (6,030,381)	\$ (4,973,043)	\$ (3,513,663)	\$ (4,072,711)	
Cummulative Surplus/(Deficit)		\$ 3,288,392	\$ (1,514,988)	\$ (7,545,369)	\$ (12,518,412)	\$ (16,032,074)	\$ (20,104,785)	
If Alternate Funding Source for Tunnel Operations and Maintenance is used (see note below):								
Annual Surplus/(Deficit) if O&M Costs are shifted to Drainage Utility Fund		\$ 235,297	\$ (3,276,380)	\$ (2,885,381)	\$ (1,733,043)	\$ (173,663)	\$ (632,711)	
Cummulative Surplus/(Deficit) if O&M Costs are shifted to Drainage Utility Fund		\$ 3,288,392	\$ 12,012	\$ (2,873,369)	\$ (4,606,412)	\$ (4,780,074)	\$ (5,412,785)	

Note: The project and financing plan approved in 2008 included projected cash flow from the Hilton Hotel project to pay for operations and maintenance of the tunnel upon its completion. This funding source is subject to fluctuations in the economy, similar to sales taxes and hotel occupancy tax revenue. This updated financing plan provides the option of shifting these ongoing operating costs to the City's Drainage Utility Fund, an appropriate use of these funds for a flood control project like the Waller Creek tunnel. The City's Watershed Department will evaluate the feasibility of absorbing all or a portion prior to completion of the tunnel as part of the City's five-year forecast and budget development processes. During budget adoption, the City Council may elect to permanently or temporarily shift the annual cost of tunnel operations and maintenance to the Drainage Utility Fund, or to charge the costs to the Waller Creek TIF fund provided that sufficient TIF revenues are available. Cash flow from the Hilton hotel project is not included in the projections in the above table, although this additional funding sources is expected become available again as convention activity increases and will continue to serve as an additional funding as convention activity increases and will continue to serve as an additional funding source in the future. Council may also elect to fund costs related to the tunnel project with cash flow from the Hilton Hotel project when it is available.

**EXHIBIT 14**  
**WALLER CREEK TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 17**  
**TIF VALUE INCREMENT AND TAX REVENUE SCHEDULE**

Without Historic and Tax Exempt Properties		PROJECTED VALUES ----->>						
	TAX YEAR	2018	2019	2020	2021	2022	2023	2023
	FISCAL YEAR	2019	2020	2021	2022	2023	2023	2024
	TAX BASE (CITY)							
	TAX BASE (COUNTY)							
Assessed value increment		\$ 935,097,710	\$ 1,041,043,869	\$ 1,259,646,327	\$ 1,496,902,922	\$ 1,758,864,735	\$ 1,917,773,366	
Total ASSESSED VALUATION		\$ 1,171,297,492	\$ 1,277,243,651	\$ 1,495,846,109	\$ 1,733,102,704	\$ 1,995,064,517	\$ 2,153,973,148	
Annual City Real and Personal Property Tax Revenue		\$ 4,274,332	\$ 4,758,612	\$ 5,757,843	\$ 6,842,343	\$ 8,039,771	\$ 8,766,142	
50% of Total Annual County Real and Personal Property Tax Revenue		\$ 2,137,166	\$ 2,379,306	\$ 2,878,922	\$ 3,421,172	\$ 4,019,885	\$ 4,383,071	
Total Property Tax Revenue		\$ 6,411,497	\$ 7,137,917	\$ 8,636,765	\$ 10,263,515	\$ 12,059,656	\$ 13,149,213	
Annual Bond Payments (estimated based on amount to be financed of \$106.1 million)		\$ 6,668,973	\$ 6,668,973	\$ 6,668,973	\$ 6,668,973	\$ 6,668,973	\$ 6,668,973	
Annual O&M Cost (estimated based on 2006 dollars of \$2.6 million, 3% annual inflation)		\$ 3,540,000	\$ 3,650,000	\$ 3,760,000	\$ 3,870,000	\$ 3,990,000	\$ 4,110,000	
Total Debt Service and O&M Costs over 20-Year TIF Term		\$ 10,208,973	\$ 10,318,973	\$ 10,428,973	\$ 10,538,973	\$ 10,658,973	\$ 10,778,973	
Annual Surplus/(Deficit)		\$ (3,797,476)	\$ (3,181,056)	\$ (1,792,208)	\$ (275,458)	\$ 1,400,683	\$ 2,370,240	
Cummulative Surplus/(Deficit)		\$ (23,902,261)	\$ (27,083,317)	\$ (28,875,525)	\$ (29,150,984)	\$ (27,750,301)	\$ (25,380,061)	
If Alternate Funding Source for Tunnel Operations and Maintenance is used (see note below):								
Annual Surplus/(Deficit) if O&M Costs are shifted to Drainage Utility Fund		\$ (257,476)	\$ 468,944	\$ 1,967,792	\$ 3,594,542	\$ 5,390,683	\$ 6,480,240	
Cummulative Surplus/(Deficit) if O&M Costs are shifted to Drainage Utility Fund		\$ (5,670,261)	\$ (5,201,317)	\$ (3,233,525)	\$ 361,016	\$ 5,751,699	\$ 12,231,939	

Note: The project and financing plan approved in 2008 included projected cash flow from the Hilton Hotel project to pay for operations and maintenance of the tunnel upon its completion. This funding source is subject to fluctuations in the economy, similar to sales taxes and hotel occupancy tax revenue. This updated financing plan provides the option of shifting these ongoing operating costs to the City's Drainage Utility Fund, an appropriate use of these funds for a flood control project like the Waller Creek tunnel. The City's Watershed Department will evaluate the feasibility of absorbing all or a portion prior to completion of the tunnel as part of the City's five-year forecast and budget development processes. During budget adoption, the City Council may elect to permanently or temporarily shift the annual cost of tunnel operations and maintenance to the Drainge Utility Fund, or to charge the costs to the Waller Creek TIF fund provided that sufficient TIF revenues are available. Cash flow from the Hilton hotel project is not included in the projections in the above table, although this additional funding sources is expected become available again as convention activity increases and will continue to serve as an additional funding as convention activity increases and will continue to serve as an additional funding source in the future. Council may also elect to fund costs related to the tunnel project with cash flow from the Hilton Hotel project when it is available.

**EXHIBIT 14**  
**WALLER CREEK TAX INCREMENT FINANCING REINVESTMENT ZONE NO. 17**  
**TIF VALUE INCREMENT AND TAX REVENUE SCHEDULE**

**TRAVIS COUNTY  
PATICIPATION IN  
TIF ENDS**

Without Historic and Tax Exempt Properties		PROJECTED VALUES ----->>			
	TAX YEAR	2024	2025	2026	2027
	FISCAL YEAR	2025	2026	2027	2028
TAX BASE (CITY)					
TAX BASE (COUNTY)					
Assessed value increment		\$ 2,247,995,121	\$ 2,553,363,131	\$ 2,750,508,870	\$ 3,044,140,945
Total ASSESSED VALUATION		\$ 2,484,194,903	\$ 2,789,562,913	\$ 2,986,708,652	\$ 3,280,340,727
Annual City Real and Personal Property Tax Revenue		\$ 10,275,586	\$ 11,671,423	\$ 12,572,576	\$ 13,914,768
50% of Total Annual County Real and Personal Property Tax Revenue		\$ 5,137,793	\$ 5,835,711	\$ 6,286,288	\$ 6,957,384
Total Property Tax Revenue		\$ 15,413,379	\$ 17,507,134	\$ 18,858,864	\$ 20,872,152
Annual Bond Payments (estimated based on amount to be financed of \$106.1 million)		\$ 6,668,973	\$ 6,668,973	\$ 6,668,973	\$ 6,668,973
Annual O&M Cost (estimated based on 2006 dollars of \$2.6 million, 3% annual inflation)		\$ 4,230,000	\$ 4,360,000	\$ 4,490,000	\$ 4,620,000
Total Debt Service and O&M Costs over 20-Year TIF Term		\$ 10,898,973	\$ 11,028,973	\$ 11,158,973	\$ 11,288,973
Annual Surplus/(Deficit)		\$ 4,514,405	\$ 6,478,161	\$ 7,699,891	\$ 9,583,179
Cummulative Surplus/(Deficit)		\$ (20,865,656)	\$ (14,387,495)	\$ (6,687,604)	\$ 2,895,575
If Alternate Funding Source for Tunnel Operations and Maintenance is used (see note below):					
Annual Surplus/(Deficit) if O&M Costs are shifted to Drainage Utility Fund		\$ 8,744,405	\$ 10,838,161	\$ 12,189,891	\$ 14,203,179
Cummulative Surplus/(Deficit) if O&M Costs are shifted to Drainage Utility Fund		\$ 20,976,344	\$ 31,814,505	\$ 44,004,396	\$ 58,207,575

Note: The project and financing plan approved in 2008 included projected cash flow from the Hilton Hotel project to pay for operations and maintenance of the tunnel upon its completion. This funding source is subject to fluctuations in the economy, similar to sales taxes and hotel occupancy tax revenue. This updated financing plan provides the option of shifting these ongoing operating costs to the City's Drainage Utility Fund, an appropriate use of these funds for a flood control project like the Waller Creek tunnel. The City's Watershed Department will evaluate the feasibility of absorbing all or a portion prior to completion of the tunnel as part of the City's five-year forecast and budget development processes. During budget adoption, the City Council may elect to permanently or temporarily shift the annual cost of tunnel operations and maintenance to the Drainge Utility Fund, or to charge the costs to the Waller Creek TIF fund provided that sufficient TIF revenues are available. Cash flow from the Hilton hotel project is not included in the projections in the above table, although this additional funding sources is expected become available again as convention activity increases and will continue to serve as an additional funding as convention activity increases and will continue to serve as an additional funding source in the future. Council may also elect to fund costs related to the tunnel project with cash flow from the Hilton Hotel project when it is available.